

EUROPEAN NEWS

EC attacks US trade 'time bomb'

By William Dulforce in Geneva
THE NEW US Trade Act was a time bomb which could blast apart the whole multilateral trading system, the European Community warned the council of the General Agreement of Tariffs and Trade yesterday.

Italians concerned over influence in EC

By John Wyles in Rome
GROWING concern that Italy's international influence is not increasing with her economic weight is sparking the first debate within and between the political parties over the country's choice of nominees to sit on the new European Commission, which takes office next January.

Italian cabinet adopts budget targets

By John Wyles in Rome
THE ITALIAN Cabinet last night adopted 1989 budget targets which will cut 1,300,000m (\$21.5bn) off the underlying public sector deficit through increased revenues and spending cuts.

French left face test in cantonal elections

By Ian Davidson in Paris
THE FRENCH Socialist government of Mr Michel Rocard faces its first test of voter approval since the general elections in June, with the opening round of the cantonal elections which take place on Sunday.

THE OECD REPORT ON EMPLOYMENT PROSPECTS

Job vacancies rise due to skill mismatches

By John Gapper
FALLS in unemployment in several European countries in 1987 were accompanied by significant increases in levels of unfilled vacancies and the re-emergence of actual labour shortages due to skills mismatches.

Washington to exercise its discretion. He acknowledged that Mr Clayton Yentler, the US Trade Representative, and the Reagan administration had fought hard to avert a protectionist measure.

ANTI-MAFIA MAGISTRATES RECONCILED

MR Giovanni Falcone, Sicily's celebrated anti-Mafia magistrate, has withdrawn his request for a transfer out of Palermo following the support expressed for him last week by the Italian magistracy's self-governing body, the Consiglio Superiore della Magistratura, writes John Wyles.

Thatcher in appeal on EFA future

By Peter Bruce in Madrid
MRS Margaret Thatcher, the British Prime Minister, appealed to Spain last night to confirm its participation in the four-nation consortium planning to build the £22bn European Fighter Aircraft.

Bonn to press ahead with arms competition plan

By David Marsh in Bonn
THE West German Defence Ministry is pressing ahead with proposals to increase international competition in European armaments procurement procedures.

Growing role for working women

By John Gapper
A RAPID growth in women's participation in labour forces in all OECD countries except those in Southern Europe over the past 20 years reached the stage in 1987 where women in the Nordic countries participate almost as much as men.



Gonzalez: 'lively argument'

Kostroma goes without meat as Soviet towns suffer

By Quentin Peel in Moscow
THERE is no meat rationing in the Soviet provincial town of Kostroma. There simply is no meat to buy.

Uncertainty deepens over Rafale project

By Ian Davidson in Paris
UNCERTAINTIES over France's planned high technology Rafale combat aircraft programme, which were aired last week by Mr Michel Rocard, the Prime Minister, to devastating effect, have again hit the headlines with the publication of the conclusions of a parliamentary report on the controversial project.

Setback for Strasbourg

By William Dawkins in Brussels
THE French Government's hard-fought right to play host to the European Parliament's plenary sessions in Strasbourg has received a serious legal blow.

the neighbouring town of Yaroslavl to find carp they can't buy there. The sorry story of a Soviet provincial town and its food supplies was told at a conference of the All-Union Marketing Research Institute, and reported this week by the newspaper Moscow News.

Court rules against Paris on N-plant

By Tim Dickson in Brussels
THE French Government was yesterday found guilty under European Community law of failing to provide adequate advance notification of its plans to bring on stream the nuclear power plant at Cattenom, near the Luxembourg border.

Employment trends



5 per cent between 1982 and 1987. The total labour force is projected to rise by between 0.1 per cent to just over 1 per cent by the year 2000 in 10 countries. The lowest growth is expected in Finland, and the highest in the US, Canada, and the Netherlands.

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AMERICAN NEWS

Bush's second Boston visit jolts Dukakis

By Stewart Fleming, US Editor, in Washington

MR JAMES BAKER and his team at the head of Vice-President George Bush's campaign pulled off another coup yesterday. They have left the opposition camp flummoxed and highlighted an issue which Mr Bush may turn to his advantage on Sunday night when he has his first television debate with Mr Michael Dukakis, the Democratic candidate.

Iraq hints tough line on gas war sanctions

By Nancy Dunne in Washington and Victor Mallet in London

IRAQ hinted yesterday that it would retaliate against any international sanctions over its reported use of chemical weapons against Kurdish rebels, while the US Congress moved towards using such sanctions to prevent chemical warfare.

Asked about Iraq's response to a range of sanctions being considered by Congress, Mr Saddam Hammadi, Iraqi Minister of State for Foreign Affairs, said in London his government would take "proper measures" in return. "We will not turn to them the other cheek," he said.

Fear plays a vital role in Chile vote

Robert Graham on a campaign to win undecided voters in the presidential plebiscite

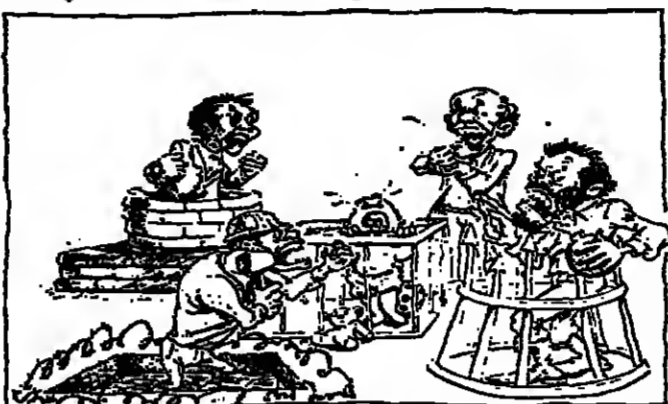
IN the wide pedestrian thoroughfares of downtown Santiago, the street-sellers are touting an unfamiliar kind of merchandise. For the first time in 15 years Chileans can publicly buy badges, T-shirts and even lighters with a political slogan against the military government of General Augusto Pinochet.

ochet supporters and the 16-party coalition organising the vote against him accept that the undecided hold the key. The existence of this block of undecided voters explains why both sides can talk so confidently of winning. Both believe they can capture the floating vote. "We reckon we will get above 54 per cent and below 60 per cent of the vote," says Mr Miguel Schweitzer, a former Foreign Minister associated

with the pro-Pinochet campaign. Gen Pinochet has said on more than one occasion that the floating vote will go to the perceived winner, and his campaign slogan plays up to this: "Chile, a winning country."

being conducted as a psychological warfare exercise by military personnel rather than a political campaign. The television spots begin with footage of riots and bomb damage and then the screen is gradually obliterated by dripping red blood before switching to the other Chile: a joyful chorus chanting "Yes."

not been altered to take account of the election - that would be irresponsible," commented a senior government official.



Chilean government propaganda warning of the disharmony which a 'No' vote could sow in the family and in society

Such propaganda hopes to equate an opposition win with the political chaos and economic instability of the late President Salvador Allende's experiment in socialism. There is no message of national reconciliation. Instead the last of those exiled since the 1973 military coup (permitted to return this month) tend to be ridiculed in the regime-controlled media.

Under pressure from the legal opposition, the Manuel Rodriguez Front, the underground leftist guerrilla group, has announced a suspension of its activities for the duration of the plebiscite. The powerful Communist Party, which has long refused to vote in the plebiscite, is backing the 'No' campaign from a discreet distance.

Shevardnadze and Shultz in chemical arms talks

By Lionel Barber in Washington

MR EDUARD Shevardnadze, Soviet Foreign Minister, carrying what he said were new proposals on chemical weapons and strategic weapons, opened two days of talks yesterday with Mr George Shultz, US Secretary of State.

nuclear weapons arsenals before President Ronald Reagan leaves office next January. The absence from the current meeting of Marshal Sergei Akhromeyev, chief of the Soviet general staff, who has played an important role in previous superpower summits, further indicated that central disputes over the US Strategic Defence Initiative and START are unlikely to be resolved.

The talks were expected to produce only modest progress because of the immensity of the US presidential election in November. The modest expectations were contrasted with previous meetings of his with Mr Shultz, when both men wrestled to bridge last-minute differences on the INF treaty to eliminate medium-range nuclear missiles. It was ratified this year.

With the State Department urging caution, opposition to the stronger Senate sanctions has been rising in the House. The farm lobby is worried about what has become a \$1bn annual market for US grains and rice, and there are fears that sanctions would cause Iraq to default on the nearly \$2bn in credits already extended by the US.

Peru begins to thaw its brief price freeze

By Veronica Baruffati in Lima

THE PERUVIAN government, under growing domestic pressure, has started to retreat from the economic measures it announced this month.

and then frozen for 120 days. Prices will now be allowed to rise to what is called a realistic level, except for those of basic commodities, whose prices will remain subsidised and frozen for 120 days.

Mr Abel Salinas, Finance Minister, announced late on Wednesday corrections to the anti-inflationary plan disclosed on September 6. These included a thaw in the price freeze.

Mr Salinas, explaining that this was the result of a first evaluation of the anti-inflationary measures, promised there would be no alterations in petrol prices, exchange and interest rates, nor in the minimum legal salary established on September 6.

Mutiny spreads among Haitian soldiers

By Veronica Baruffati in Port-au-Prince

HAITIAN soldiers who toppled President Henri Namphy last weekend have continued against more commanders, and civilians are rallying to join the uprising. AP reports from Port-au-Prince.

Comp leaders who put Lt-Gen Prosper Avril in power have demanded that he institute democratic reforms. Mutineers were rounding up agents of the Bureau of Criminal Investigations and leaving them at army headquarters in Port-au-Prince before cheering crowds, local radios reported.

Argentina may let private funds into public sector

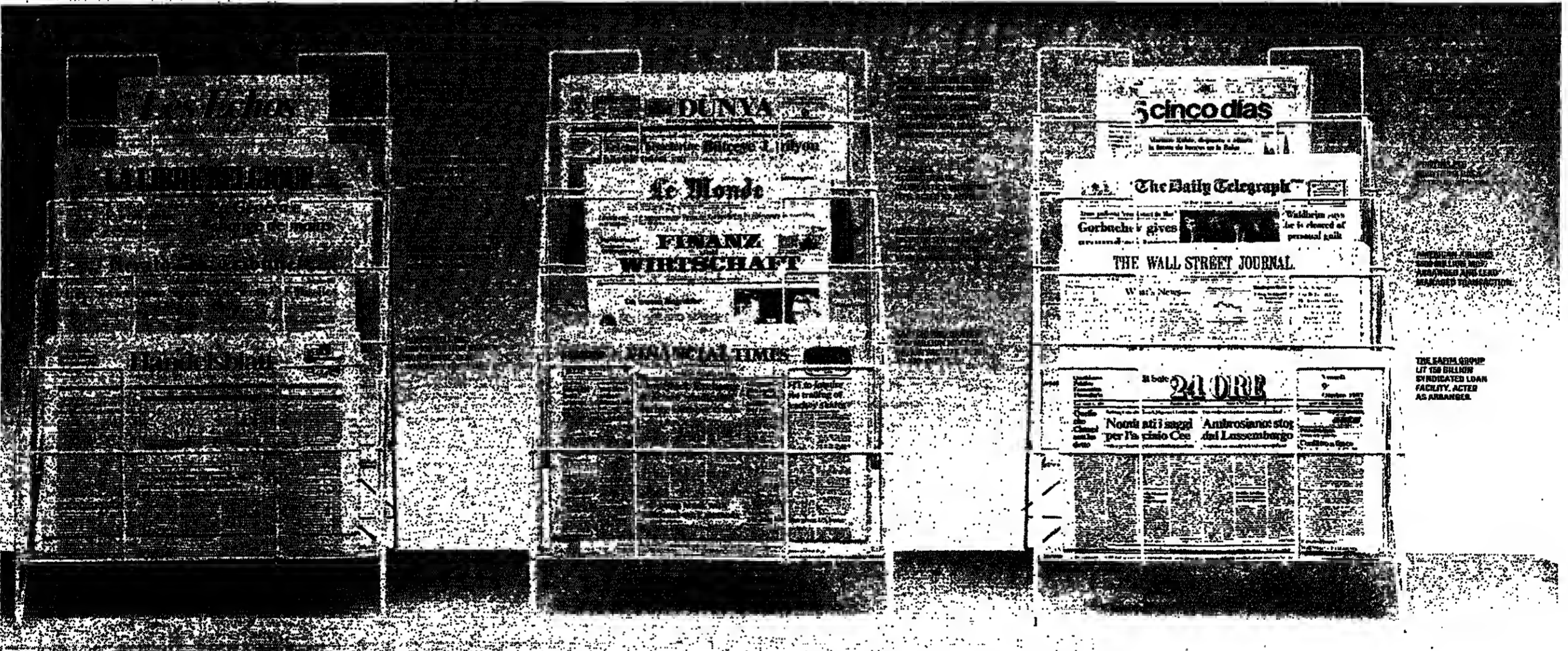
By Gary Mead in Buenos Aires

THE Argentine Government has announced its intention to introduce a bill to allow private capital into state-owned enterprises.

Aerolíneas Argentinas, and the Spanish telephone company Telefonía proposes to take a similar stake in Entel, the telecommunications body.

Mr Horacio Lovozio, head of the Public Works Board, said the draft law will be presented to Congress next week. Motives for a change have been highlighted recently by negotiations to sell 40 per cent of two state-owned enterprises to foreign companies. Scandinavian Airlines Systems (SAS) recently agreed to buy part of

Under current Argentine law, both deals - and similar ones planned for railways, shipping and other entities - require congressional approval. Such approval has not been given yet for the SAS purchase because the Peronist opposition majority in the Senate adamantly opposes it, being also likely to fight the new bill.



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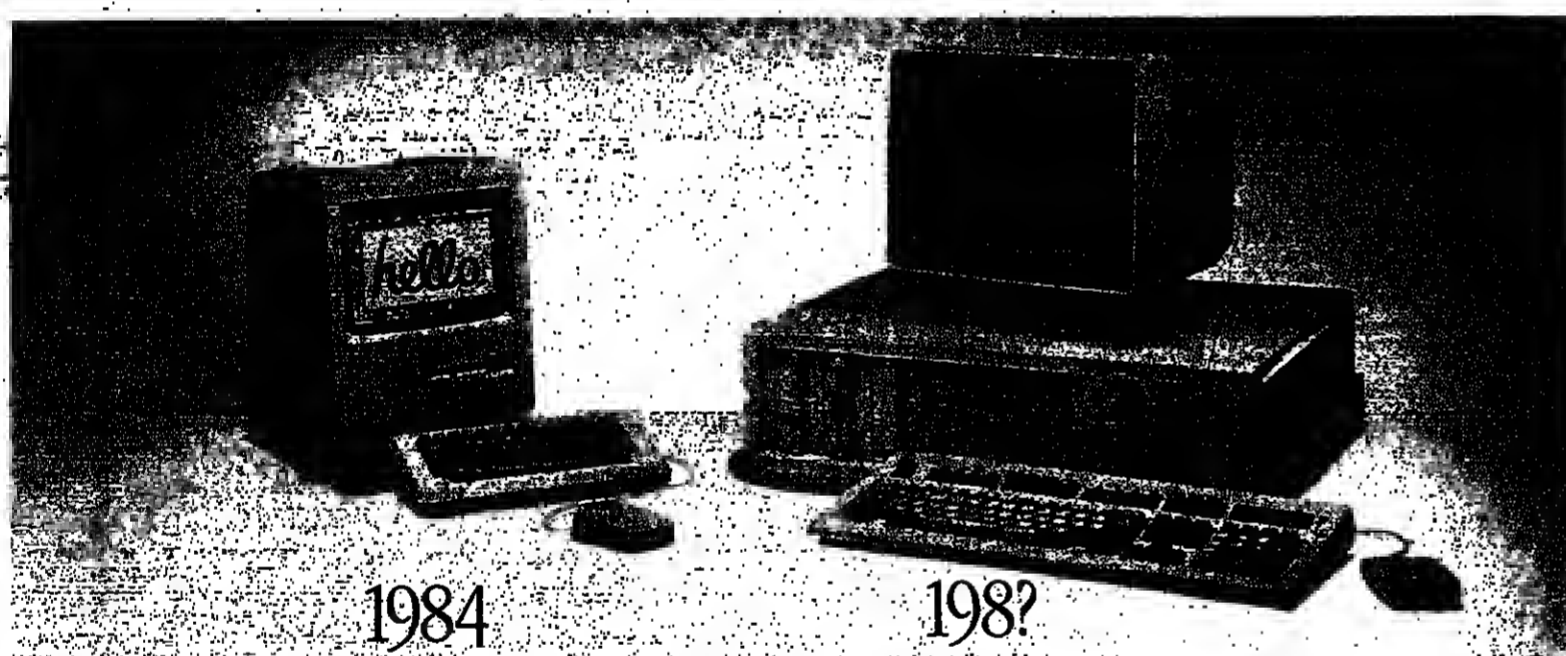
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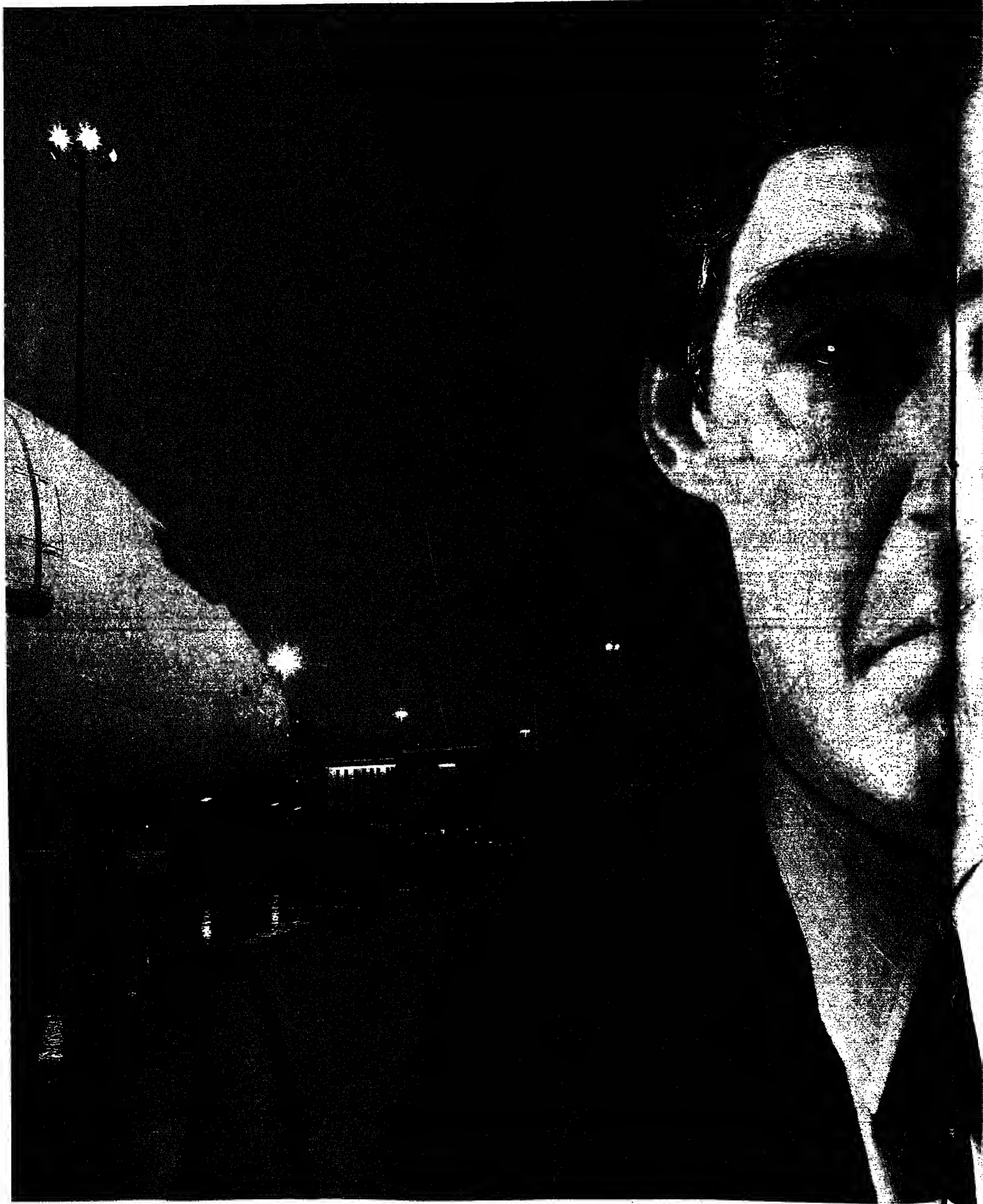
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WORLD TRADE NEWS

US and EC face crisis over meat hormones

By David Buchan and Peter Montagnon in Brussels

NEW ADMINISTRATIONS in Washington and Brussels next January are likely to have to cope with an immediate crisis in trans-Atlantic trade relations over the likely ending of US hormone-produced meat imports into the European Community, a senior US official forecast yesterday.

Mr Alfred Kingston, the US ambassador to the EC, predicted it was unlikely that the Community would extend beyond December 31 the one-year exemption from the EC's general ban on hormone-produced meat. So far US-EC talks on this issue have produced nothing.

Mr Willy De Clercq, the EC external affairs commissioner, responded that he shared the US envoy's pessimism on this score. The EC did not regard the issue as resolvable by a Gatt panel of medical scientists, as the US has requested.

Trade in hormone-injected meat and Airbus subsidies were, apart from the general US-EC disagreement over agriculture in the Gatt trade talks, the only "outstanding" problems in trans-Atlantic trade which otherwise, Mr Kingston said, was proceeding smoothly. Total two-way trade was likely to rise this year to \$160bn, from \$145bn last year and \$131bn in 1986.

Though less important than Airbus in economic terms, the hormone issue has a fixed deadline, four months away.

By contrast, EC and US officials do not expect any real progress on Airbus, given that decisions on the German component of Airbus - MBB is the target of a Daimler-Benz takeover - are likely to come too near to the US elections in November for the US to make a substantive response until a new administration takes power in Washington.

Mr Kingston acknowledged the EC has "real political problems" in going further in reducing agricultural subsidies than it did at last February's Brussels summit, and meeting the US demand in the Gatt talks for a commitment to long-term phasing out of subsidies in world farm trade.

Gatt postpones decision on US import curbs

By William Dullforce in Geneva

THE EUROPEAN Community yesterday lost a skirmish in its trade battle with the US when the council of the General Agreement on Tariffs and Trade postponed a decision on its complaint against some of the long-standing US import curbs.

US restrictions on imports of sugar, dairy products, peanuts and cotton contravened the terms of the waiver from Gatt rules for agricultural products which the US obtained in 1955, the EC claimed.

The US successfully argued that the EC had not made clear the basis of its complaint and the Gatt council put off until its next meeting the EC Commission's request for investigation by a disputes panel.

Brussels' charge is a tit-for-tat riposte to the US complaint, now under Gatt examination, that EC subsidies are seriously damaging US soybean exports.

This US attack on a similarly long-established Community regime helped to heighten the tension surrounding the talks on the reform of world farm trade in Gatt's Uruguay Round.

Several countries, including Australia, Brazil and Argentina, backed the EC contention that the US import controls were a "cynical" exploitation of the 1955 waiver, which had been intended as a purely temporary measure.

However, the EC blended into its attack on the waiver a complaint against a "head-note" written into the US tariff schedule, which Washington

Clues to what the Trade Bill really means
Nancy Dunne reports on the guide produced by the US Chamber of Commerce

TO CORRECT many of the misunderstandings and apprehensions surrounding the 1988 Trade Bill, the US Chamber of Commerce has printed the first comprehensive guide through its multithrude of provisions.

Mr William Archey, a chamber vice president and the former boss of the US export control regime, presided over the team of trade specialists which produced the guide in order to counter what he sees as the "rampant xenophobia" of the legislation's media coverage.

The straight-forward, easily understood guide book, complete with comic illustrations, describes the changes from previous law and the likely impact of the new legislation.

Never, in the view of Mr Archey, has a piece of legislation been so misunderstood. He says that US trading partners have wrongly seen the debate over the bill as one between protectionists and free traders when, in fact, both extremes have long been widely denounced in Washington.

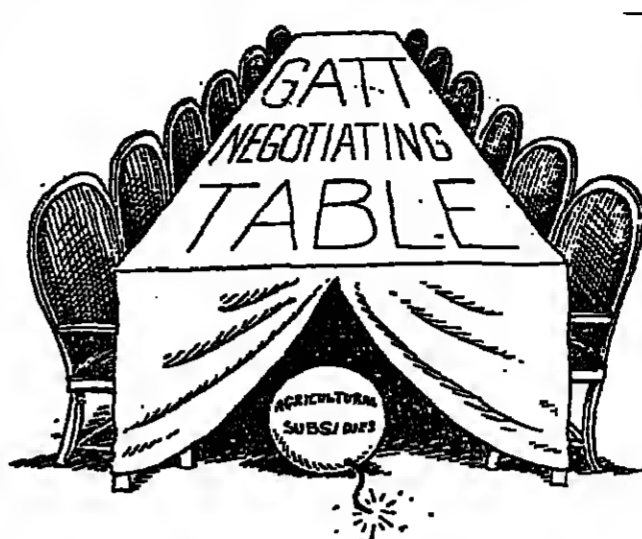
According to Mr Archey, the new law sends two overriding messages. The first is that US

trading partners can no longer operate on a "business as usual" basis in matters of trade policy "as the US intends to more aggressively assert its legitimate trade rights in the international arena." Second, it asserts that the US executive branch must in future give higher priority to trade policy in defining foreign and security interests.

One of the law's most controversial provisions is "Super 301," which establishes a systematic approach to national patterns of foreign unfair trade practices. It is felt that "Super 301" has been widely denounced around Europe.

Under Super 301, the Trade Representative must identify and investigate "priority" foreign trade practices in "priority" countries. He must then negotiate for at least three years to get the offensive practices eliminated. He is required to show progress, but he is not required to retaliate or launch a trade war.

The Act mounts a concerted drive for US access to foreign telecommunications markets. Negotiations are once again required. Timetables are to be



established and retaliatory options are specified. But in the end, the guide explains, the President is not forced to act.

He is only asked "to take whatever actions he deems appropriate and most likely to achieve the negotiating objectives for that individual country."

Not all the misapprehensions about the legislation are unfavourable. It does, for example, grant the US President long-awaited authority to participate in multilateral trade negotiations with a minimum of Congressional meddling. Under

the "fast-track" approval procedure contained in the legislation, Congress may only vote to approve or disapprove accords.

What is not understood is that the President could lose that fast-track authority at any time, according to the chamber analysis. The US Trade Representative must deem the consultations unsatisfactory and the House and Senate each pass disapproval resolutions within 60 days.

The guide follows a previous success by the chamber which produced the first and most widely sought "side-by-side" comparison of the House and Senate versions of the trade bills. It was favoured by journalists, lobbyists and even Congressional staffers in the months of the bill's negotiation.

The Omnibus Trade and Competitiveness Act of 1988: A Straightforward Guide to its Impact on US and Foreign Business. Order from International Division, US Chamber of Commerce, 1615 H St., N.W., Washington, D.C. 20002. Telephone: 202 463-5460. Cost: \$35 (members) \$40 (non-members).

Belgium seeks credit changes

By Peter Montagnon, World Trade Editor, in Brussels

OFFICE NATIONAL du Ductoire (OND), Belgium's official export credit agency, is negotiating a change in its statute which will allow it to undertake pan-European business once the single European market comes into force in 1992.

Until now OND, which is a state-owned but independently managed company, has been confined by its charter to supporting Belgian exports.

However, in the light of 1992 it will have to change its statute so that it can undertake a broader range of business in the single market, Mr Willy Boes, General Manager said yesterday.

Mr Boes said OND would present proposed new statutes to the Belgian Ministry of Finance by the end of the month.

It accepted that under the changes it would no longer be eligible to offer a state guarantee on credits of up to five years maturity and, for the first time, would have to sub-

ject itself to taxation.

However the changes were needed if OND was to face the increasing competition expected to hit the export credit market in 1992. OND already competes with a private sector Belgian company Assurance du Credit da Namur, in the local market, but it expected to face additional foreign competition after 1992.

Under its proposed new structure OND would remain fully state-owned but it would be able to conduct credit insurance business on its own account instead of just as an agent for the state.

The changes would mean that "not only Belgian products and services but also European products can be covered and supported by us even when they are not related to Belgian exports," Mr Boes said.

OND's move reflects a general trend in Europe towards shifting responsibility for short-term export credit insurance in Europe away from schemes sponsored by governments.

ECGD, Britain's state agency, earlier this month unveiled plans for a study of its operations which could lead to a recommendation to hive off part of its operations to the private sector.

Mr Boes, who declined to reveal specific expansion plans, said OND would face a "substantial handicap" after 1992 if its statute were not changed.

"There will only be one market. There will not be any distinction between the Belgian, the French and the German market," he said.

OND therefore had to see itself as a general credit insurer, not an export credit insurer, he said.

There would be a premium war in the credit insurance market as private sector companies and banks tried to expand such services.

Export credit agencies face "a very hard struggle". One response might be for institutions like OND to undertake more ventures with other insurers.

Toyota launches joint equity venture in Taiwan

By John Elliott in Taipei

TOYOTA HAS this week become the fourth Japanese motor company to launch an equity-based joint venture in Taiwan, where the booming economy has led to a rapid expansion of the automobile market in the past couple of years.

Nissan, Mitsubishi and Hino have already launched joint ventures, and Fuji is to start one soon, bringing the total to five.

From Europe, Peugeot and Renault have also discussed turning existing technical collaborations into joint ventures, and General Motors is considering producing its Opel models.

The market for domestically produced vehicles is dominated by Ford, which has a 10-year-old joint venture, and Nissan. Together, Ford and Nissan produced 135,000 vehicles last year.

Direct imports are banned from Japan, but are permitted from the US and Europe. So some Japanese manufacturers, including Honda, import indirectly, especially from the US.

But the new interest among motor manufacturers in taking an equity stake follows Japan's reassessment of its global motor manufacturing strategy, and the opening up of the Taiwanese economy.

Taiwan's rules curbing new foreign motor ventures were relaxed in 1985, and requirements for foreign-owned ventures to meet tough export and local manufacturing criteria have also been relaxed.

Nissan and Mitsubishi turned technical collaborations into car and commercial vehicle joint ventures in 1986, each with 25 per cent equity stakes. Nissan's local partner is Yue-Loong and Mitsubishi's is China Motor.

Fuji is taking a 45 per cent stake in a joint venture with Darchin and plans to start producing the Subaru car.

Australia wins Intelsat management contract

By Chris Sherwell in Sydney

AUSTRALIA'S Overseas Telecommunications Commission has won the contract for the management of Intelsat's satellites over the Indian and Pacific Oceans for five years from 1991, with an option available to Intelsat of extending it another five years.

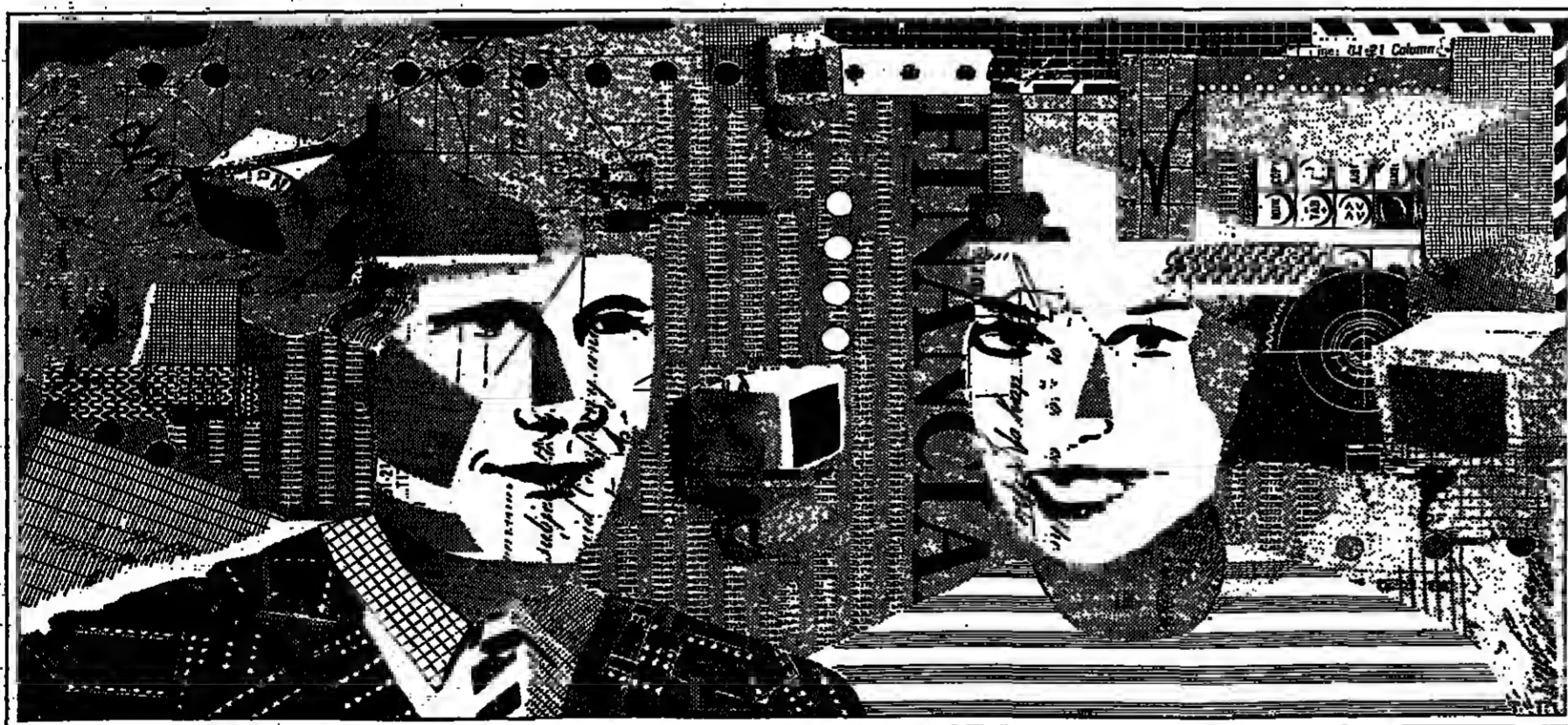
The northern hemisphere part of the contract was won separately by China's Beijing Telecommunications Administration.

The A\$40.5m (£18.8m) con-

tract is for the management of Intelsat's satellites over the Indian and Pacific Oceans for five years from 1991, with an option available to Intelsat of extending it another five years.

The northern hemisphere part of the contract was won separately by China's Beijing Telecommunications Administration.

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UK NEWS

British Steel tax loss to be limited on privatisation

By Philip Coggan

BRITISH Steel will not retain all of its accumulated £1.87bn of tax losses when it is privatised, Lord Young, Trade and Industry Secretary, announced yesterday.

The state-owned steel producer is expected to be the subject of a £2m stock market flotation in November. The company's years of accumulated losses meant that the balance sheet had to be restructured before flotation.

Had British Steel kept all its tax losses, it would not have needed to pay tax for several years. In the event only £171m of tax losses will be retained although the company will benefit from substantial capital allowances which should keep its tax charge well below the normal 35 per cent level for some time. However, a deficit of around £642m on the group's profit and loss account, result-

ing from past losses, will be written off so that the company will be able to pay dividends to shareholders.

British Steel is not being required to carry additional debt, as British Gas was when it was privatised in 1986. The decision not to load British Steel with debt but to leave it with its existing £303m of borrowings was widely expected in the City. The more robust the group's balance sheet, the more attractive it will appear to investors.

No new capital will be raised for the company in the flotation. The Government considers that British Steel is generating sufficient funds to finance its investment programme.

The revised capital structure is understood to have the approval of the European Commission.

British Steel is less immediately attractive to the City than some of the early privatisation issues, which had strong profits records and operated in stable markets.

Although the company made profits of £410m last year - its third successive year in the black - investors will need little reminding of the huge deficits incurred in the early 1980s. British Steel still merits a place in the Guinness Book of Records for the largest corporate loss - £1.78bn in 1979/80.

Charles Hodgson adds: Mr Bryan Gould, Trade and Industry spokesman for the opposition Labour Party, described the plans as "another instance of a public enterprise's books being adjusted to make it attractive to the market" in which the taxpayer had drawn "the short straw".

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Three Czech envoys given 14 days to leave Britain

By Robert Mautner, Diplomatic Correspondent

THREE Czechoslovak diplomats were yesterday expelled from Britain for "engaging in activities incompatible with their status," bringing to seven the number of foreign envoys ordered to leave the country within the last month.

The action by the Foreign Office marks a toughening of the British government's attitude towards foreign diplomats who have shown an increasing tendency lately to ignore both the law of the land and the rules governing their diplomatic immunity.

The expulsion of Captain Bedrich Kramer, Assistant Military and Air Attache, and embassy clerks Vlastimil Netolicky and Pavel Moudry, comes on the eve of a sharp warning due to be delivered today by Mr Tim Eggar, Foreign Office Minister, to foreign diplomats in Britain about the need to respect the rules of diplomatic behaviour.

"Engaging in activities incompatible with their status" is the customary diplomatic euphemism for spying. The three envoys have been given 14 days to leave the country, which is considerably more generous than the 24 hours given to the Cuban and Vietnamese diplomats who suffered a similar fate two weeks ago.

Ten days ago, the Foreign Office expelled the Cuban Ambassador, Dr Oscar Fernandez-Mell, and a junior Cuban envoy and suspected intelligence agent, Mr Carlos Medina Perez, after the latter had fired a pistol outside his London flat a group of people who had been following him. On the admission of the police, these included British security agents, while the Cubans

claimed that a former Cuban diplomat who had defected to the US, was also one of the party and was injured by the shot fired by Mr Perez.

The Cuban incident followed hard on the heels of the expulsion of Mr Tran Van Hung, a Third Secretary at the Vietnamese Embassy, who had pointed a loaded revolver at a group of demonstrators outside the embassy building. A Tunisian diplomat was also ordered to leave Britain last week for failing to pay parking fines.

The Czech Ambassador, Mr Jan Fidler, who was summoned to the Foreign Office yesterday to be told of the expulsion of three of his diplomats, was informed that Britain continued to attach importance to the future expansion of contacts with Czechoslovakia. But Sir Geoffrey Howe, the Foreign Secretary, said the Government was not prepared to tolerate the sort of activities in which the three diplomats were engaged.

A Foreign Office spokesman denied that these activities had anything to do with the supply of Semtex explosives by Czechoslovakia to the Irish Republican Army. Only last month, the Czech authorities, in what was seen in London as a conciliatory gesture, agreed to do what they could to control the supplies of these explosives and create a property market in the inner cities.

Advice on setting up teams - already working in Newcastle, Birmingham and Sheffield - will be available from a forum to be chaired by Sir Hector Laing, chairman of Business in The Community, and include Mr Frost and Mr John Banham, CBI director general.

Employers urged to act on inner city decline

By Hazel Duffy

AN ESTIMATED £50bn should be spent on Britain's decaying urban areas to prevent them being trapped in a spiral of further decline, according to a Confederation of British Industry report published yesterday.

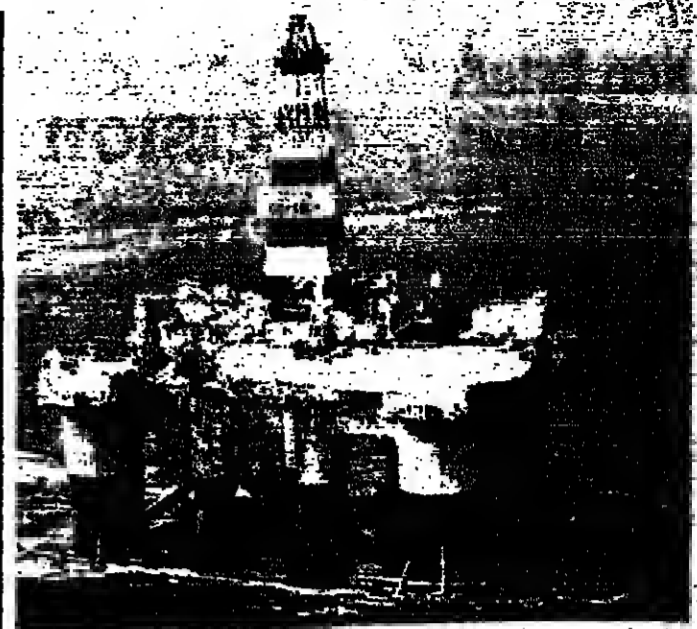
The report, by a group of top businessmen chaired by Mr Tom Frost, group chief executive of National Westminster Bank, is the first response from the private sector to the Government's challenge to business to play the major part in reviving the inner cities.

The perils of business ignoring the ball put in its court by the Prime Minister are outlined in the report. It states that many of the factors which created an underclass of people in some cities in the US are already present in inner London and other cities such as Newcastle, Glasgow and Liverpool.

It is implicit in the report is that companies have not yet responded on anything like the scale which is needed.

The CBI urges businessmen to set up teams which will work with local government and other interested bodies in drawing up an "agreed vision" for their cities and towns, identifying "flagship projects which will break into the cycle of decline" and create a property market in the inner cities.

Advice on setting up teams - already working in Newcastle, Birmingham and Sheffield - will be available from a forum to be chaired by Sir Hector Laing, chairman of Business in The Community, and include Mr Frost and Mr John Banham, CBI director general.



The Ocean Odyssey operated by Arco

N Sea crew rescued from oil rig blaze

By Max Wilkinson and Louise Kehoe

ONE MAN was missing last night after fire engulfed a North Sea drilling rig, apparently after a blow-out and an explosion.

The crew of 67 abandoned the semi-submersible rig, Ocean Odyssey, in the central part of the North Sea and all but one were rescued.

Atlantic Richfield, the Los Angeles-based oil company which had chartered the exploration rig from Odeco, said yesterday that the cause of the accident was uncertain.

A spokesman for the company said the drilling platform was carrying out oil exploration in the North Sea some 130 miles east of Aberdeen. It was not a production platform and was considerably smaller than the Piper Alpha platform, which exploded with a loss of 167 lives 10 weeks ago.

"We don't yet know what caused the explosion and fire," the Arco spokesman said. "We know that there is a gas flow at the surface but we have not determined whether the gas caused the explosion, or whether it occurred as a result of the explosion."

Costguards said that all the men rescued were believed to be unhurt. A search for the missing man is continuing. Evacuation of the rig was orderly, Arco said.

The rig was exploring 15 miles south-east of the Monroese Field, where the accident happened.

Usually mud pumped into exploratory drilling pipes, prevents any pocket of high pressure gas or oil from flowing back to the surface.

Occasionally, however, a blow-out can occur when the pressure of a gas find is too great to be held down by the weight of mud. Blow-out preventers are fitted to cope with such an emergency, but these may not have worked yesterday.

Arco says it reviewed its safety measures on North Sea platforms in the wake of the Piper Alpha disaster.

It could not, however, be immediately determined whether any changes had been made.

Survivors taken from the rig by helicopters, were landed aboard two oil supply vessels the Nette and the British Fulmar.

Three helicopters from RAF Pitreavie, RAF Kinloss and RAF Culter were sent to the rig with an RAF Sea King and civilian helicopters within minutes of the fire being reported.

Ships near by were in the scene as soon as the seriousness of the situation became clear. Coastguards said that at least 10 vessels answered the emergency call.

Forty-one of the crewmen aboard the rig were employed by Odeco. The remainder work for Arco and sub-contractors.

Mr Peter Morrison, the energy minister in charge of the North Sea, has ordered an inquiry. A spokesman for his department said a team of experts in controlling fires aboard North Sea rigs had been assembled at Aberdeen.

He added that the rig had passed a safety inspection only last week.

Mr John Prescott, Labour energy spokesman, said he was concerned there had been another North Sea incident so soon after the Piper Alpha tragedy.

Mr Roger Lyons, assistant general secretary of the Manufacturing, Science and Finance Union which represents some of the rig workers, said he was concerned that nothing had been done to improve safety on North Sea rigs since the Piper Alpha tragedy.

"How many more lives must be lost or put at risk before we get an independent safety inspectorate and proper trade union safety representation implemented in the North oil and gas industry," he asked.

"I can only hope the Government will move after today's near-tragedy," he added.

BP sells stake in Magnus field

By Max Wilkinson, Resources Editor

BRITISH Petroleum yesterday announced that it intends to sell about 20 per cent of its Magnus oilfield in the northern sector of the North Sea.

At present prices the stake would realise about \$500m which the company will use to continue its strategy of reducing debt.

The decision is in line with BP's established policy of trying to dispose of assets which it believes will be of more value to other parties than to itself.

In this case the additional value to a potential purchaser would arise from the possibility of offsetting exploration expenditure elsewhere in the North Sea against the 70 per

cent Petroleum Revenue Tax payable on production from Magnus.

BP is unable to take full tax advantage of the field because it has already used up its potential tax offsets. Yesterday's proposal is similar to the recent sale of a minority interest in BP's Forties field.

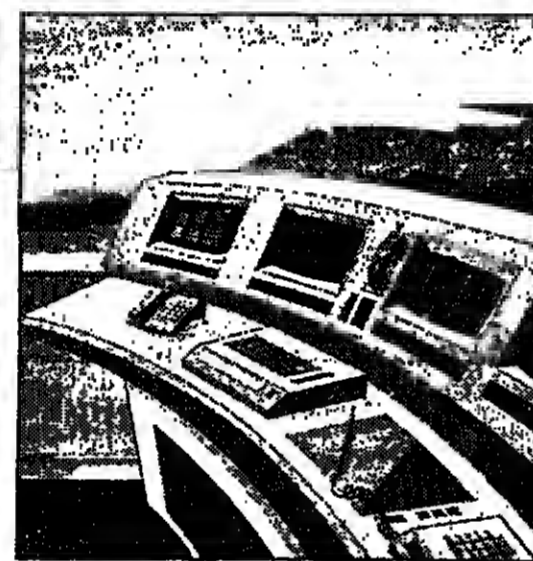
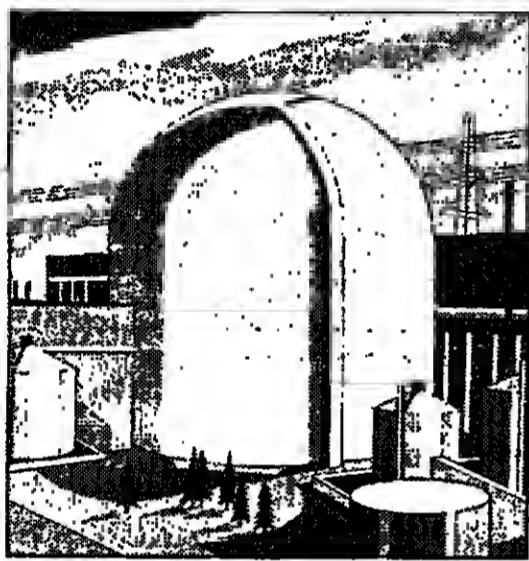
At the current North Sea oil price, a 20 per cent stake in Magnus would produce gross revenues of more than \$130m annually.

The field, which is 100 per cent owned by BP, is situated 125 miles north-east of the Shetland Islands, off the Scottish coast. It cost £1.3bn to develop and came on stream in 1983.

Total production this year is expected to average 139,000 barrels per day, plus 66m cubic feet of gas per day. Last year the total recoverable reserves in the field were updated by 14 per cent to 655m barrels.

The sale of the minority interest is to be by competitive bidding. Some 40 companies have been invited to tender. They will be able to bid for variable amounts of the field, subject to a minimum stake of 2.5 per cent.

BP said yesterday that the number of new partners will be not less than two and not more than six. The deadline for submission of tenders is November 11.



A HIGH POWERED PERFORMANCE

HIGHLIGHTS OF 1988 HALF YEAR RESULTS (UNAUDITED)

OPERATING PROFIT	UP BY 17%	£75m
ATTRIBUTABLE PROFIT	UP BY 32%	£39m
EARNINGS PER SHARE	UP BY 21%	17p
INTERIM DIVIDEND	UP BY 19%	4.75p



ENGINEERING TOMORROW'S WORLD

For a copy of the 1988 half-year report contact: BICC plc, Devonshire House, Mayfair Place, London W1X 5FH, Tel: 01-629 6622

APOLOGY

BDO BINDER HAMLYN ADVERTISEMENT, FINANCIAL TIMES INTERNATIONAL EDITION 21.9.88

Due to an administrative error copies of the International Edition of Wednesday's Financial Times carried an advertisement for BDO Binder Hamlyn which contained an inaccuracy.

BDO Binder has recently carried out an international corporate name change to reflect the fact that it is the world's ninth largest accounting firm with over 400 offices located in 58 different countries.

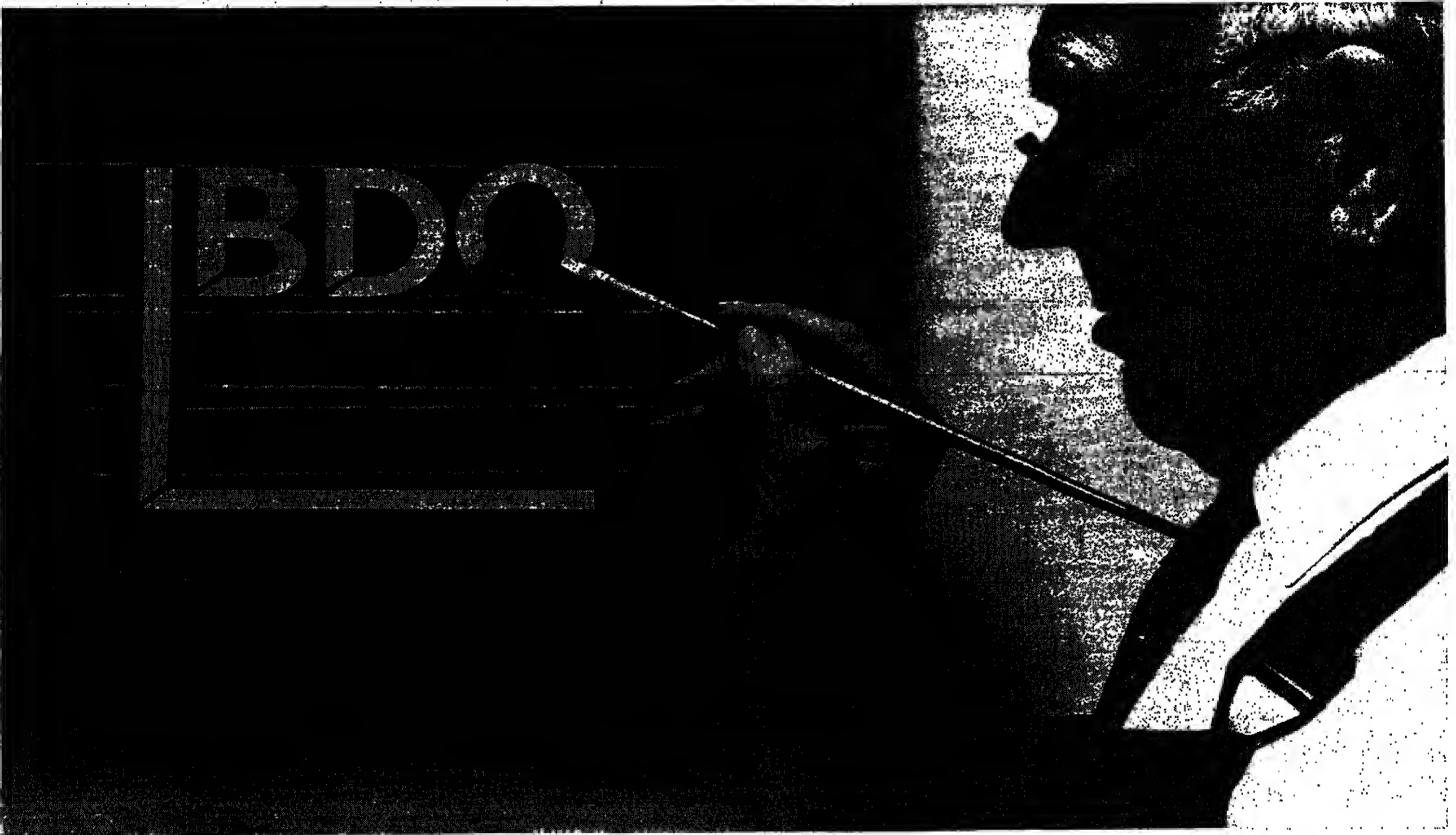
Part and parcel of the identity change, involving the addition of 'BDO' to all national member firms' names, has been the introduction of a new logostyle and it was this that was omitted from the advertisement on 21.9.88.

Further information about the firm can be obtained from BDO Binder International Secretariat, 2nd Floor, 60 Boulevard de la Woluwe, B-1200 Brussels.



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Worldwide, we've now put BDO before our names.



(But we still put our clients first.)

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countries, and we are able to provide all the services you would expect from the world's 9th largest accounting firm.

What sets us apart is our approach to accounting, and to our clients. Our top people will ensure that our services directly meet your needs, while common methods and procedures ensure the highest technical standards throughout the world.

If you would like to find out more, please write to us at

one of the following addresses: BDO Binder, International Secretariat, 2nd Floor, 60, Boulevard de la Woluwe, B-1200 Brussels.

BDO Seidman, 15 Columbus Circle, New York, New York 10023.

BDO Binder Hamlyn, 8 St. Bride Street, London EC4A 4DA.



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This announcement appears as a matter of record only.

September, 1988



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UK NEWS

Shearson staff vigilance thwarted fraud attempt

By Alan Cane

THE ATTEMPTED Eurobond fraud which would have cost the London branch of Mitsubishi Finance International £15m was prevented only through the vigilance of operations staff at Shearson Lehman Hutton, the US financial services company.

Mr Andrew Corcoran and Mr Martin Izatt, members of Shearson's "back office" operations team, were puzzled when a package of Eurobonds was delivered electronically to the firm's London offices over the British August bank holiday without a corresponding order from Shearson or instructions for delivery.

They raised the alarm, and the City of London police company fraud department was alerted. With Shearson's help, a trap was set which led to the arrest and detention of two men in Switzerland as they attempted to draw the proceeds

of the fraud.

The attempted fraud involved the culprits gaining access to a computer network, Euclid, operated by the Brussels-based Eurobond clearing house, Euroclear. They were then able to initiate electronic procedures which resulted in the transfer of the securities over the network from Mitsubishi to Shearson. Euroclear and Cedel are the two Eurobond clearing houses, each operating an electronic clearing network.

Police, the two firms involved and Euroclear are refusing to give any details of how the attempted fraud was perpetrated or how the trap was set to catch the culprits while inquiries continue.

There are also fears that others may be tempted to copy the methods used. Superintendent Donald Randall expects his men will take at least a further 10 days. Mitsubishi

agreed yesterday, however, that the breach in security had been its responsibility and that no member of Shearson's staff were implicated in the attempted fraud.

It is understood that the fraudsters gained access to Euclid by way of the telephone network using a personal computer. Security in the Euclid network depends on passwords. Anybody knowing the correct sequence of passwords would be able to gain access to the network and initiate orders for the transmission of stock.

A spokesman for Euroclear said last night that he believed Euclid was a secure network but agreed that its integrity depended on the standard of security observed by its member banks: "We are in the hands of our customers," he said. In the light of the Mitsubishi fraud attempt security would be reviewed.

Retailers to fight European VAT plans

By Maggie Urry

A CAMPAIGN against the European Commission's proposals for a minimum 4 per cent rate of value added tax was launched yesterday by a group representing retailers, consumers and charities.

As part of the move to a single European market the EC is proposing an "approximation" of VAT rates throughout the community.

All goods would be subject to VAT at either a lower rate for "special" items or a higher rate for non-essential items. Individual governments could choose to set the lower rate in a 4 to 9 per cent band and the higher rate between 14 and 20 per cent.

Mr John Irish, a deputy chairman of the Retail Consortium, a body which represents 80 per cent of retailers in the UK, said that a number of goods such as food, fuel, passenger fares, drugs, children's clothes and shoes, which are currently zero-rated for VAT in the UK, should continue to attract no VAT since they are basic necessities. The increase in prices would cause sales to fall.

He proposed a lower rate band of zero to 6 per cent so that individual governments could choose a nil rate of VAT. He argued that the imposition of VAT on these goods was not a pre-requisite to a single market.

Mr Janet Graham, chairman of Consumers in the European Community, a group which represents 25 consumer groups, described the EC's proposals as "unjust and unnecessary".

She said that in poorer families up to half their spending went on items which are zero-rated at present. The rise in prices caused by the imposition of VAT would cause hardship.

She said that, according to Treasury figures, the average person would have to spend an extra £1 a week if the lower rate of VAT was imposed at 4 per cent, and £2.25 if it was set at 6 per cent.

The EC argues that different VAT rates would create a distortion in trade.

Mr Graham said that cross-border shopping was not causing distortions. She argued that differences in retail prices in different countries were mainly caused by other factors such as manufacturer's pricing policies.

Mr Barry Gifford, executive chairman of the Charities VAT and Tax Reform Group, said charities already paid more than £100m a year in VAT and this could double or triple if the proposals were enforced.

Public 'will not pay' for satellite TV

By Raymond Snoddy

Seven out of 10 Britons say they would not be prepared to pay anything extra to receive new satellite television channels.

This apparently bad news for satellite television companies comes in a MORI poll for the Reader's Digest on attitudes to television in the UK.

The 21 per cent of people who were ready to pay extra talked of annual sums ranging from £10 to £1,000. The mean figure was £16.95 annually, compared with British Satellite Broadcasting's plans to charge around £10 a month for its subscription film service.

Around 45 per cent of the representative sample of 2,007 adults interviewed said they were very satisfied or fairly satisfied with the television service they received.

London trains face greater congestion

By Kevin Brown, Transport Correspondent

LONDON'S underground trains are likely to move congested in five years' time than they are now, despite a £1.2bn investment programme, Mr Tony Ridley, chairman of London Underground, admitted yesterday.

Mr Ridley was launching a five-year "Plan for Action" designed to tackle congestion and raise service quality "to the standards which Londoners today rightly expect."

However, the plan contains few proposals which had not previously been announced. In addition, London Underground has not yet sought approval for up to £750m of Government funding which would be required.

The plan is designed to increase capacity - measured in train miles - by 7 per cent over the next five years. But the Underground is forecasting an increase in peak demand of 10 per cent over the same period. This means that congestion is bound to worsen.

Mr Ridley said the plan was intended to make the best use of the existing Underground system, until new capacity could be constructed in the next century. But he admitted: "We will be running very hard, with difficulty, to keep up the rate at which we can squeeze additional capacity out of the system." It was not possible simply to split away congestion.

change in circumstances and prospects.

In 1982, the Underground was at the end of a 30-year period of declining demand, and most forecasters were predicting a continued fall in London's population.

As a result, there had been little investment in the infrastructure of the system during the 1970s and early 1980s, and lax management as a result of political interference by the former Greater London Council.

No plans were made for increasing capacity, but operating costs were running out of control, and service levels were declining - only 91 per cent of scheduled services ran in 1982.

The picture changed dramatically, and unexpectedly, in 1983, when the number of passengers began to rise. That trend gathered pace, as economic recovery continued and the population of London began to rise again from 1985.

As a result, the number of passengers has increased from 88m in 1982 to 79m last year - an increase of 10 per cent over five years, which is thought to be the fastest rise in metro patronage anywhere in the world.

London Underground has reacted by increasing capital investment significantly in real terms over the last five years - from £142.5m in 1982 to £171.2m in 1986-87. But the increased spending has had little effect so far, because much of it is simply making up ground lost during the 1970s.

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Paul Lachausse, Senior Vice President with Robert Schenkav, Senior Vice President, Lending Commercial Operations.

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Dreams of cable-free phones near reality

Terry Dodsworth examines the millimetre spectrum

ENGINEERS have dreamed for decades about a world where office telephones operate without cables, and where the man in the street can walk around with his own unobtrusive telephone handset in his pocket.

These dreams are now moving close to reality. Indeed, some electronics specialists believe that by the end of the century it should be possible to achieve both of these visionary targets, along with a host of other communication and broadcasting innovations. The key, they say, is the development of new semiconductor technology that will make it practicable to use a group of radio waves known as the millimetre bands.

In a consultative document issued this week, the Department of Trade and Industry argued that technological advances by the chip manufacturers have now reached the point where they open up the prospect of creating new mass markets based on the millimetre spectrum. These markets should be large enough to yield significant economies of scale to the manufacturers.

Hence equipment prices, which would be prohibitively high at present, should be forced down in the classic manner of the electronics industry, generating increased demand in the process.

The main problem in using the millimetre wavebands is that they can carry signals only for a very limited distance. This feature, however, can also be an advantage, because it is possible to use the wavebands time and again in different locations without radio interference, hence increasing the capacity of the system. Indeed, capacity in the millimetre spectrum is much larger than in the current wavebands used for broadcasting. The trick in commercial exploitation is to work out how this

characteristic can be turned into effective services.

The DTI believes that there may be many applications that it has not yet thought of, but it has already sketched out a number of uses, including:

- The cableless office, where telephones are connected by a low-power radio network. Staff could carry their telephones around with them - and they would not have to be re-connected when they moved office.
- Cordless telephone systems for mobile use of the type that are already being developed for launch in the UK next year using current radio technology. The existing telephone network would have radio receivers built into the cabling at fixed intervals, so callers would be able to dial into the system when on the move.
- Linking the telephone systems in contiguous buildings. Telecommunications regulations allow companies to do this over short distances of up to 200 metres already, but cabling can be expensive. A pair of millimetre transmitters could relay a large quantity of messages.
- Electronic funds transfer at point of sale (Eftpos). This system of transferring funds from a customer to a retailer via a plastic card transaction at the point of sale could be speeded up by the use of millimetre radio links. Millimetre-based services will be capable of extremely fast data transmission.
- New video distribution services. A millimetre-based system could be a contender for the distribution of microwave signals - a service which is currently being considered by the Government.

In the past few years, developments in the UK and elsewhere have shown the potential of several markets of the type now being outlined by the DTI. To take just one example,

cellular mobile technology, which has transformed the car telephone industry, has been based on using a part of the limited-range radio spectrum in an innovative manner. The country is broken up into cells so that the same short-range radio frequency can be used over and over again to link the handset into the fixed telephone network.

The new generation of car telephones, however, only became possible because of developments in semiconductor technology which made it possible to pack complex systems into a small handset.

Similarly, many of the uses of millimetre wavebands, particularly where they involve a marriage of radio and telecommunications technology, will depend on progress in chip design and manufacturing. In particular this may hinge on advances in semiconductor technology made from gallium arsenide, a difficult material to work with, but one which promises exceptionally fast signal processing.

One of the questions marks over Britain's ability to exploit millimetre technology lies in the country's investment in gallium arsenide chips, where a DTI effort to marshal the resources of Plessey and the General Electric Company under a common scheme collapsed earlier this year.

The DTI nevertheless clearly feels that an attempt to stimulate the market by publicising the possibilities of millimetre technology will encourage investment by industry. At the same time, the Government is moving at an early stage with the aim of having a stronger hand in European discussions on the use of the wavebands.

Toss earlier the UK develops standards and principles for the use of different bits of the spectrum, the more likely the easier it will be to have an influence on developments in the rest of Europe.

ARTS

Arts Week

F | S | Su | M | Tu | W | Th | Fr | 23 | 24 | 25 | 26 | 27 | 28 | 29

THEATRE

London

South Pacific (Princess of Wales). Avespa, traditional revival of the great Rodgers and Hammerstein musical...

Phantom of the Opera (The Majestic). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber...

Chicago (Theatre Royal). The first major retrospective in 30 years of Paul Gauguin...

Les Misérables (Theatre Royal). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos...

Chicago (Civic Opera House). Miriam Gauci as Lisa and Frank Lepardo as Elvino in Sandro Sequi's production...

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Chicago (Civic Opera House). Miriam Gauci as Lisa and Frank Lepardo as Elvino in Sandro Sequi's production...

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognize its US incarnation...

Les Misérables (Theatre Royal). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos...

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programme includes Il Tatro, a "new kabuki play" set in the 19th century at the time of Japan's opening to the West...

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EXHIBITIONS

Paris

Centre Georges Pompidou. The Fifties, taking over Beaubourg for three months from the ground floor upwards...

Les Misérables (Theatre Royal). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos...

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Matisse and Picasso. From paintings inspired by landscapes, he moves on to poetical abstracts which, from 1939 onwards, do not have titles, only dates...

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Vienna. Museum of Modern Art/Museum of the 20th Century. Works by Oswald Oberhuber, one of Austria's finest artists...

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Chicago. Art Institute. The first major retrospective in 30 years of Paul Gauguin includes more than 230 objects and major paintings...

Les Misérables (Theatre Royal). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos...

Chicago (Civic Opera House). Miriam Gauci as Lisa and Frank Lepardo as Elvino in Sandro Sequi's production...

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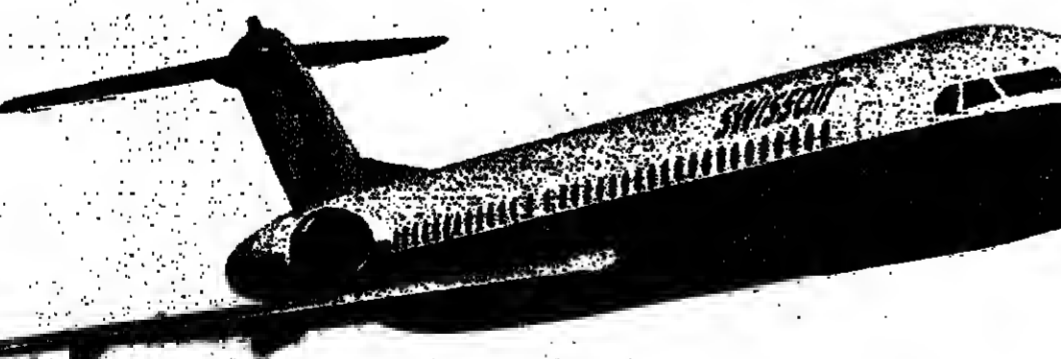
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ARTS

The Midsummer Marriage

KING'S THEATRE, GLASGOW

Tim Albery's staging of The Midsummer Marriage was first seen at Opera North in 1985...

The American Quade Winter makes his British debut as Mark, and while his tone is perhaps a little unyielding for the part...

ter - darkness and light may be the theme of this opera, but there are always many shades of grey between them in this production...

The performance wants for sheer weight of tone at times; a larger string section might have helped...

Andrew Clements



Svein Scharffenberg: leader of the Tchude warriors who terrorise the Lapp settlements in 'Pathfinder'

CINEMA

Good and evil slug it out

A story that has survived by word of mouth, must be worth telling and it seems only fitting that the first ever film to be made by the Lapp community should be inspired by its own mythology...

- PATHFINDER (15) Nils Gaup
THE RUNNING MAN (18) Paul Michael Glaser
THE DECEIVERS (18) Nicholas Meyer
POLTERGEIST III (15) Gary Sherman
STARS AND BARS (15) Pat O'Connor
JIMMY REARDON (15) William Richert

secret cult of Thugee, whose followers were responsible for murdering and robbing hundreds of travellers - a discovery treated with incredulity by his colleagues...

the American failure to read between the lines of his tact. When Henderson, accompanied by his fiancée's teenage daughter Bryant (Marie-Françoise Pilon), is sent to the Deep South to acquire a Renoir owned by the eccentric Loomis family...

which America has become a Nineteenth Century Four-style totalitarian state. Arnold Schwarzenegger plays a policeman who is on the side of authority until he finds himself framed and imprisoned for a crime he had tried to prevent...

"It is all done with mirrors" is a phrase that takes on a new meaning in Poltergeist II in which tiny heroine Carol Anne (Heather O'Rourke) is dragged by ghostly hands, like some macabre present-day Alice, through the looking-glasses that decorate the hideous high-rise apartment where she is staying...

Shaw once summarised Britain and America as two nations divided by a common language, an observation brought to life in the film of William Boyd's novel Stars and Bars. His hero Henderson Dore is so crippled by his English upbringing that the fresh start he hoped to find in New York has immediately deteriorated into a mediocre job as an art dealer...

urge eardrums on any prospective visitor to Sadler's Wells - but it has an energy and a ferocity which swamp dance activity that wears a distinctly demure air. Where once the need to attract his public, often with rudeness, gave earlier Clark shows an edge, albeit a brutish one, the purged and cerebral text of the programme as I saw it last night lacks both vitality and any compensatory force of dance imagination...

I Am Curious, Orange

SADLER'S WELLS

The new Michael Clark extravaganza has already been seen at the Holland and Edinburgh festivals. Now arrived in Rosebery Avenue, it proposes as publicity has eagerly told us - a commentary on the tarcentenary of William and Mary's accession to the British throne...

hamburger and a container of Stonehenge-like chips feature in the action. Of any coherence, beyond the consistency of The Fall's performance, I could detect no trace. Instead, a muddle of comments refracted from the original historical excuse for the show are variously illustrated by quiet and unadventurous dances in Mr Clark's innocent post-Cunningham manner...

For the rest, there was a giant telephone, strobe lighting (not imaginatively used), two large tins of baked beans, and a general air of allusions as substitutes for production and choreographic ideas.

I am Curious, Orange has an oddly tentative air, as if in pleading together its diverse elements, Mr Clark lost both the shape and the purpose of what he was seeking. It appears to me a rock concert with illustrations, and may best be seen as a transitional work in its choreographer's progress towards theatrical maturity. Even enfants terribles have growing pains.

Clement Crisp

A Touch of Danger

WHITEHALL THEATRE

"By the way, does the name Lloyd Mitchell mean anything to you?" Well, let me wake myself up. It could be that hapless youth who was probably working for the CIA...

pass and claiming to be from MIS who had a unique line in walking sticks. They both ended up the same way - incompetently dead on the floor of 'Max Telligan's apartment near Sloane Square'...

logue consists entirely of explanatory filler; the action is perfunctory; the plot perille. The only memorable moment is when director Mark Piper has a rush of blood to the head and stages a flashback. Then you realise that this is just an old Paul Temple script which never quite made it in 1950...

disposing of the contents of a manor here and a cottage there but Sotheby's has missed out on this profitable trend in auctioneering: house sales invariably attract higher prices.

Antony Thorncroft

Continued from Page 11 MUSIC London Beethoven Plus is a series of concerts between September 18 and December 10 which seek to set the composer's music in the context of his own time...

with John Bingham (piano). Popular classics including Rossini's William Tell Overture, Ravel's Bolero and Rachmaninov's Piano Concerto No. 3 in C minor...

Vic Theatre since 1912. (Wed) (829 7616). Concert version of Karl Heinz Stockhausen's opera Monnaie aus Licht at the Theatre des Champs Elysees...

Amsterdam Concertgebouw. The Netherlands Philharmonic, conducted by Gilbert Varga, with Karin Lechner, piano...

Rotterdam Doelen. The Hallelujah choral society with the Randstad Orchestra and soloists under Rian Verbeek...

New York New York Philharmonic, conducted by Zubin Mehta. Webern, Schönberg, Schubert, Aveyer Fisher, Rial, Lincoln Center (Mon)...

SALEROOM

Looking for a piano

Phillips is unique among the salerooms in selling pianos, and its quarterly sale yesterday produced a total of £118,000 with only three of the ninety odd instruments not finding a new home...

The latest passion in philatelic circles is printed envelopes, which were popular in late Victorian and Edwardian times. A group of ten sent to the young Prince of Wales later King Edward VIII...

Antony Thorncroft

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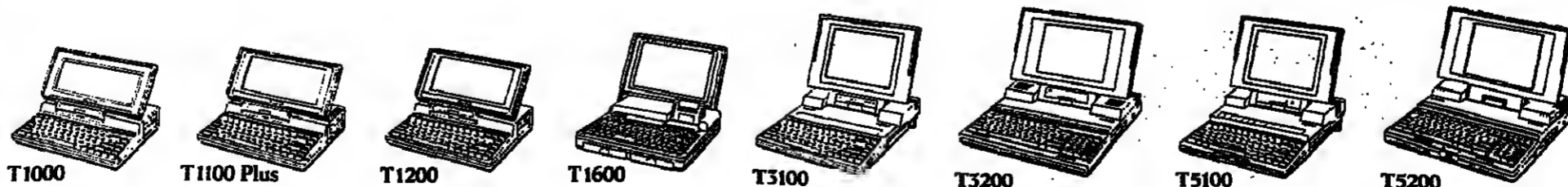


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MANAGEMENT

Wanted: reserves of good officer material

David White examines a UK Government campaign to convince employers and employees of the benefits of military training

Guess whose territory the Territorial Army is after. "We're after the yuppie," says Tommy Macpherson, with a mischievous twinkle. More precisely, what he is after is yuppies-at-arms. For Macpherson, chairman of Birimid Qualcast and a handful of other companies, is leading a crusade to get up-and-coming executives into the TA and Britain's other reserve forces. He is trying to do so by appealing not only to jingoism but also to self-interest.

His task is to persuade fellow captains of industry that encouraging their management recruits - both men and women - to undergo army training could be as useful to them as an influx of top-quality young officers would be to the Territorial Army.

A £10m promotion campaign launched this week, is directed both at companies, in the hope that they will look more favourably on the idea of staff spending time with the reserves, and at potential officer recruits, in the hope of persuading them that reserve service could actually be good for their image and their careers.

The television, press and poster advertising campaign, paid for by the Ministry of Defence and spread over four years, aims to boost the reserves' prestige. But the organisers recognise there are a number of barriers to be overcome: family pressures, what peer groups think, what bosses think and, more important still in Macpherson's view, what employees think their bosses think.

responsibilities in management of stocks, but also in communications and mechanical transport through mud are not a substitute for management training.

The campaign has the backing of major banks and a number of big industrial companies - including, of course, defence companies; incestuous relationships with the forces are of evident value to them. But it is expected to run into rougher terrain with small companies more reluctant to contemplate allowing extra leave.

Graham Day, chairman of the Rover Group, is a former Canadian territorial who sees a "direct read-across" into management. "At a simplistic level, you were given a responsibility and you had to discharge that. Now there are people coming into business without having had any kind of responsibility at all." Since it abandoned national service in the 1950s, Britain is the only major Nato country in Europe without compulsory military service.

Would he be more favourably disposed to hire a reservist?

"I'm always interested in people who've done something other than merely go to school," Day says. But membership alone would not be enough to be a recommendation.

Sir Derrick Holden-Brown, chairman of Allied-Lyons, who served with the Royal Naval Volunteer Reserve, is among the prominent industrialists backing the campaign. "Having employees with additional skills and a willingness to produce that extra effort is vital these days."

Macpherson believes that from the rank-and-file upwards, reservists tend to be more disciplined, tidier and

better attenders than other employees. He is waiting for statistical confirmation to back up what he terms "anecdotal evidence" that absenteeism rates are in fact lower among reservists, despite the extra demands on their time and post-training-weekend fatigue. He attributes this to a greater sense of responsibility and to physical fitness.

"Responsibilities in the army are usually higher, age for age, than in business," he says, arguing that the qualities the army seeks to develop are increasingly in demand.

"Leadership in the old-fashioned sense has come back into fashion," he says. "Management schools don't teach you that indefinable quality." But supporters are not always unconditional in their enthusiasm. The gains, some say, are not necessarily proportional to the time an employee spends with the TA. And a conflict of interest can arise when a TA man reaches a demanding command position in the force.

Along with the public-awareness TV commercials, the campaign involves a series of employer-targeted advertisements. Letters have been sent out to more than 300 top company chairmen throughout Great Britain (but not Northern Ireland, where companies will not be asked for public backing, since that could make them instant terrorist targets).

Each chairman is requested to declare his support, confirm his company's willingness to release personnel, and to nominate a special staff contact.

"I'm a tremendous believer in me-tooism in business," Macpherson says. He not only plans to publish a list of the companies that say yes, but is threatening in five years' time to publish a "short list" of those that have said no.

The Territorial Army needs to step up recruitment to meet the target set in 1984 of a strength of 88,000. With a current level of about 78,000-79,000, including the Home Service Force, created for static guard duties, he runs out of steam.



the event of full mobilisation, the TA would supply between 30 and 40 per cent of British ground forces, and naval and air force reservists also have key roles.

But this is not essentially a recruiting campaign. If Macpherson and his colleagues are out to get managers, it is because the Territorial Army has an internal management problem. The unspoken reality behind the campaign is that the force does not have enough good officers. Low officer quality is one reason it loses as many people as it takes in. The 30 per cent annual turnover rate is considered too high.

The Prime Minister, advised of the turnover problem and the conclusion that the loss of personnel was often in one way or another job-related, asked Macpherson two years ago to head a committee, made up largely of businessmen.

A former athlete and war hero, Macpherson had been London District Colonel in the Territorials. At the same time he had a list of directorships almost as long as his list of military decorations. He says he accepted on condition that a broad range of interests was represented and that his recommendations should be taken seriously.

Computer project management

How a longer time-scale can save on costs

By Alan Cane

The cost of developing new computer systems has become a major pre-occupation with senior management as information technology becomes increasingly vital to business strategy.

Executives complain that systems always cost more than estimated and are sometimes delivered too late to be of any practical use. Now the Butler Cox Foundation, the research arm of the London-based consultancy, believes it has found a way to cut costs in information systems development.

When calculating how long it will take for a new computer project to come on stream, the foundation suggests that at least 25 per cent is added to the timescale; it is imperative that the development team sticks to the more relaxed deadline.

The study, which is still in progress, has been carried out as part of the foundation's 18 month-old Productivity Enhancement Programme (PEP), a scheme which brings together commercial and public organisations to examine ways of improving systems productivity through shared research.

The programme has already attracted 68 sponsors in the UK and in continental Europe, including British Gas, Rank, Hovis McDougall and Whitbread. The Butler Cox team has studied 218 projects among the sponsoring companies.

Meeting project deadlines has been the major headache for data processing managers for over a decade now. Statistics show that some computer systems are delivered so late that they are never put into operation because the original requirement has lapsed.

Butler Cox's studies among PEP members show that 46 per cent of projects are delivered late and 48 per cent are delivered over budget.

The conclusion - that substantial savings can be made by taking more time over the project - seems absurdly simple, and indeed, counter to common sense. It reflects, nevertheless, what Butler Cox believes to be a combination of a relative lack of maturity in management services departments and lack of understanding of

systems development among senior managers.

It argues that when projects overrun on time and funding, it is because project managers, it is because project managers, it is because project managers, anxious to maintain their credibility with management, saddle themselves with unrealistic targets.

And others compound the error. George Cox, managing director of Butler Cox, says that senior executives planning a new commercial initiative leave information systems considerations to the last minute, ignoring the fact that virtually every aspect of a modern business is tied to one computer system or another.

"It takes time to change a computer system," he points out. "The system dictates how fast you can move, yet managers only focus on information technology late in the day."

Philips Cotling, business development director at Walt-

users, for very rapid delivery.

"The chief lesson we have learned is that large savings can be made by reducing the pressure, controlling the users and managing impossible aspirations."

Bingham believes the chief value of PEP is its attempt to put software development on a quantitative basis. In this, it is following the work of the US specialist Larry Putnam, who has been collecting data on software development for some 20 years. He is the developer of SLIM, an automated software estimating tool used by the US Defense Department and a number of commercial companies. Putnam has been working with the Butler Cox Foundation on PEP.

An important conclusion from the PEP study is that there is no magic formula for software development, no technique or software tool that can simply be purchased and used to improve productivity. The key to major improvements lies in management, methods and techniques.

It is a multi-faceted problem and it is important to avoid getting any of the facts wrong. Bingham argues. The PEP team concluded that the productivity of European commercial applications is every bit as good as that in the US. In the UK, however, they discovered that developers were being hampered by substantial requirements changes during the project lifecycle. As much as 20 per cent of the specification of an average system was changed while the system was under development.

Butler Cox concludes that the best start a company can make to improving its productivity is to keep and maintain accurate records of software development activities and costs, quoting Allied Dunbar, the UK life assurance group, as an example of an organisation which has made a virtue of measurement.

At best, a company following the lessons of the PEP study could expect to improve information systems productivity by 20 per cent a year. PEP sponsors were, on average, already using 46 per cent less effort for a typical project than other UK companies.

Systems are sometimes delivered too late to be of any practical use

bread and chairman of the UK chapter of the Society for Information Management, broadly agrees with the Butler Cox analysis.

"Time and again over 20 years I have seen impossible project deadlines put forward because of a belief among data processing staff that their clients (the company's senior management) would not buy the realistic figures. It is analogous to the small builder who quotes a price and then says half-way through the work 'Sorry, guv, forgot about the lintels'."

"It is not peculiar to the data processing business. It is common to any industry moving from craft base to engineering disciplines."

Grenville Bingham of Butler Cox says: "Rushing software development is unbelievably expensive. Based on our data, a typical British company could save about £120,000 on an average application project by taking simple steps to control the time pressure, often exerted by

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POLITICS TODAY: Joe Rogaly

Without a leader of the pack

Britain's opposition voters will not defect to the Conservatives until they find a leader. This may seem obvious, but it is also remarkable. For the quality of political leadership matters more in contemporary Britain than it has in times past...



no-nonsense clarity that is Mrs Thatcher's trademark. For all these reasons the common judgment is that she is the only one who comes near to the political attractiveness of Mrs Thatcher. This may be true, but attractiveness is not in itself a sufficient quality...

become a challenger to the Prime Minister? Writing those words suggests a short two-letter answer, but Mr Ashdown should be given the benefit of the doubt...

No single, powerful commander of the non-Thatcherite forces is likely to emerge until after the next election

will be a surprise if he does turn out to be the champion that the opposition so badly needs. His face is as finely chiselled as that of Dr Owen, but he does not have the advantage of a ready-made TV image as a leader...

siveness and indecisiveness, not to mention a famous change of mind on the nuclear deterrent. He is, in my view, a swot, a man who will get up early and work long and hard over his papers, seeking to master all the detail...

LOMBARD

Sweden's way with workfare

By Robert Taylor

SWEDEN is regarded by the British labour movement as the outstanding success story of democratic Socialism. Last weekend's latest election victory for the ruling Social Democrats provides further evidence of their popular appeal...

LETTERS

US insider trading

From Mr Leo Herzl. Sir, In the context of his article, "Putting Insiders Inside" (Lombard, September 19), Richard Lambert is misleadingly ambiguous about the state of insider trading enforcement in the US...

conful. The Securities and Exchange Commission's civil complaint against Drexel Burnham provides an interesting example of the problems posed by market professionals. A large part of that 104-page complaint is taken up with allegations of schemes to avoid making required filings to disclose beneficial ownership of securities...

Danger for the Third World

From Ms Sheila Page and Mr Christopher Stevens. Sir, Berkeley Hill (September 21) dispels one myth about EC agricultural policy: that it sustains the poor in Europe. Lord Plumb launches another: that it sustains the poor in the Third World...

they receive, thus damaging both their income and their incentives to produce more. It creates a surplus in the industrial countries which is sold at low prices to developing countries. Although the full effects are complex, general analyses and product studies (most recently by Michael Davanport in a report to be published by the Overseas Development Institute in October) have demonstrated time and again that, on balance, the Third World would benefit from increased growth in the industrial countries if the latter ceased to distort their economies in this way...

Defining company objectives

From Mr David Fifield. Sir, An acceptable model for company objectives can be distilled from four letters you have published. If we agree that the receiver of the goods is a customer, then in Mr Campbell's model (August 24) there are three stakeholders, not four: the owners, the employees and the customers...

many and Japan, we should expect a skewing in the model favouring the maximising of shareholders' interests, which then agrees with Mr Taylor (August 1), Mr Turner and Mr Hunt (August 30). I would add that the skewing leads to short-termism in British company policy. David M. Fifield, Oakland, Westwood, Orem, Buckinghamshire.

Progress towards digital TV

From Dr Brian Evans. Sir, The Japanese 1125/90 HDTV (high definition television) system is but one example of progress towards digital television, in which picture quality improvement is like a compact disc sound compared with a long playing record. Digital television can be piped through optical telephone cable into the home, thus giving the benefits of cable television to every tele-

phone household in the UK. Digital television uses less radio spectrum, thus freeing more channels for cellular telephony. The digital television standard needs choosing with care. It is surely a job for the state, not an offshore television manufacturer as suggested by Mr Vere (Letters, September 16). Brian Evans, 29 Cassobury Park Avenue, Waford, Herefordshire.

Government has an obligation to upgrade roads into Dover

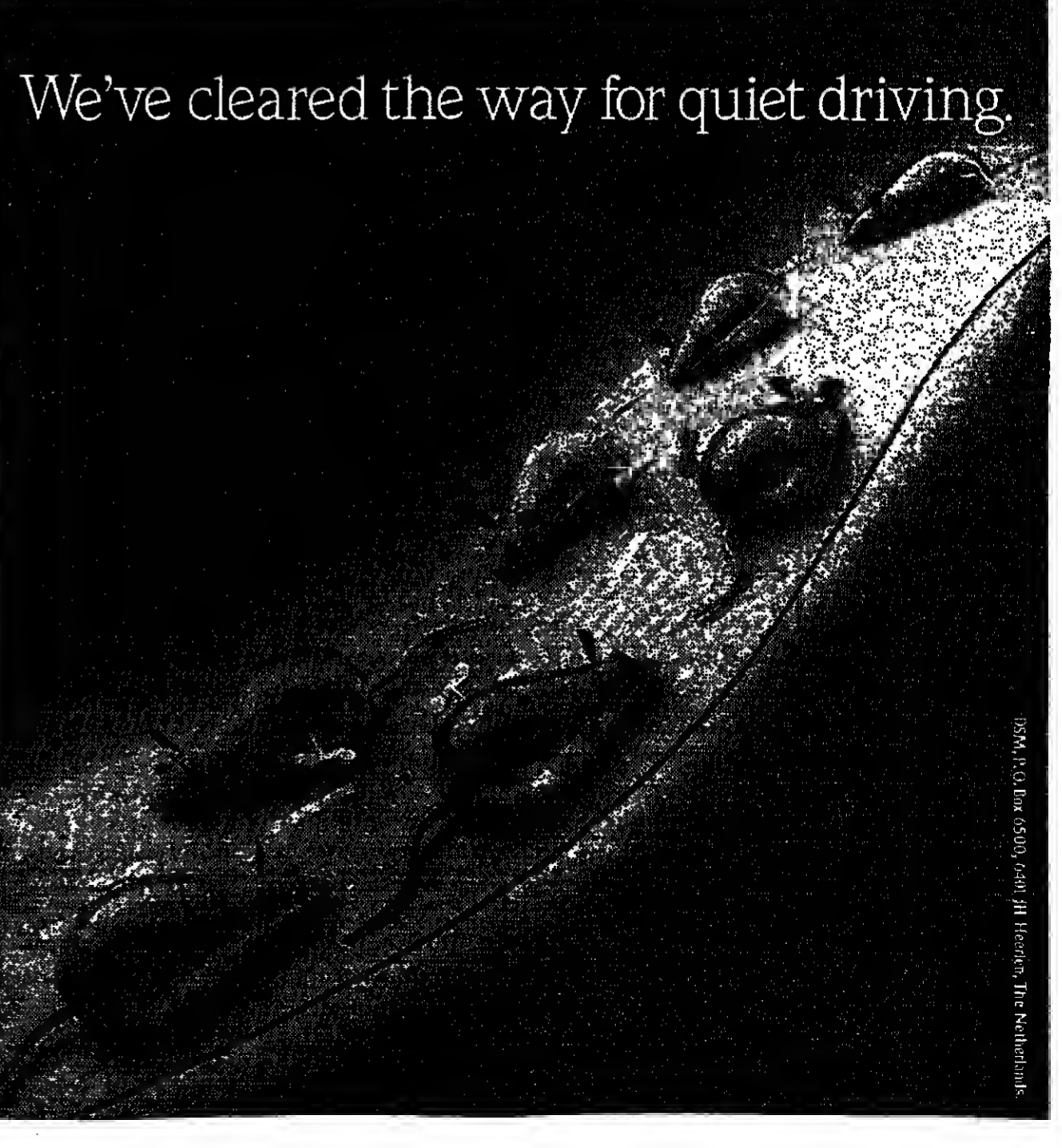
From Mr P.W. Sherrill. Sir, While you rightly indicate that the Port of Dover is preparing to defend its prosperity (FT Survey on Kent, September 2), no reference was made to the Government's declared intention to ensure fair and free competition between the fixed link (the Channel Tunnel) and the port. This entails providing Dover with infrastructure of a stan-

dard no less than that provided to the Channel Tunnel. The Chamber of Commerce has drawn Government attention to the need to upgrade the A2 between Lydden and Dover, so that the A2/M2 corridor maintains its integrity as a principal carrier of traffic for the cross-channel route. The Department of Transport has been particularly diffident about agreeing to upgrade this

small stretch of the A2. If the Government is to honour its intention to provide fair and free competition between the fixed link and the port it will, in addition to the construction of the A30 into Dover, upgrade the A2 before the Tunnel is operational. Uniquely, the Calais Chamber of Commerce is also supporting the campaign. An added advantage of dualling

both the A2 and A20 into Dover would be the creation of a complete dualled roadway from the M25 to Dover and return using both A2 and A20 corridors. Dover is not only a transit town/port but a destination in its own right, and an excellent place for future investment. P.W. Sherrill, Dover Chamber of Commerce, High Street, Dover, Kent.

More and more plastic is being used in cars these days. But plastic rubbing against plastic gives the same squeaking sound that mice produce. To solve this problem, silicone oil was added to the plastics. But that had an unfortunate side-effect. It meant that you couldn't achieve deep, bright colours. The oil came to the surface and caused a dull mat layer. At DSM, one of Europe's largest chemical companies, we found the ideal solution. Our researchers developed a special plastic which met all the requirements. It can be given any colour - exactly. It is impact-resistant, retains its colour, has an extremely long life, and can stand up to heat, welding, painting, and gluing offer no problems. And that irritating squeak - for that's what it was all about - simply doesn't occur. So, although you will find more and more plastic in your car, you will now also find more peace. DSM. If we don't have a solution, we find one.



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FINANCIAL TIMES

Friday September 23 1988



China may postpone economic reforms for two years

By Colina MacDougall in London

CHINA may put important economic reform measures on hold for two years, overruling leaders such as Zhao Ziyang, the party general secretary...

already prepared. This package was put to the meeting as a "tentative plan," Xinhua said, by Yao Yilin, the elderly Vice-premier...

radical price changes till 1990, and this triumph seems to have been consolidated at the just-ended Central Work Conference.

Leaders swing back to official control

Colina MacDougall reports that fears of inflation and riot are stunting liberalisation

CHINESE leaders are worried. Inflation is the highest for 40 years, the have-nots - still far the majority - are frightened and resentful and the old restraints which kept them from exploding are wearing thin.

the "two-track" price system to buy raw materials at the government-fixed price and resell at the free-market price.

with hammers, iron bars and spikes when they were denied a free trip to the market.

Thatcher to meet Zimbabwe president

By Michael Holman, Africa Editor

MRS Margaret Thatcher, the British Prime Minister, due to meet President Robert Mugabe of Zimbabwe next week amid growing speculation that President P. W. Botha of South Africa plans to meet one or more black southern African leaders.

half of next year. The meeting in London will take place against a background of intense diplomatic activity in southern Africa.

neighbours, it said. Mr Mugabe is passing through London on his way to attend the UN General Assembly in New York.

Congolese capital of Brazzaville on Monday, and there are tentative plans for President Botha to hold talks with President Kenneth Kaunda of Zambia.

IMF warns on rise of dollar

Continued from Page 1

week. But in the face of major demonstrations against the Fund threatened by various coalitions of left-wing groups in West Berlin, he made it clear that he was not prepared for the Fund to be regarded as a "scapegoat" for the problems of developing countries.

France might consider cuts in N-forces

Continued from Page 1

in progress, he said, and had also taken place between President François Mitterrand and Chancellor Helmut Kohl of West Germany.

Sharp increase in French trade deficit puts pressure on franc

By Paul Betts in Paris and Simon Holberton in London

FRENCH financial markets were yesterday stunned after the Government reported a seasonally adjusted visible trade deficit of FF2.8bn for August.

The latest monthly deficit brings the total visible trade deficit for the first eight months of this year to FF2.2bn, and casts a large measure of doubt over the prediction made by the French Finance Ministry earlier this week in the 1988 budget statement that the deficit for the year as a whole would be FF2.5bn.

this year and FF3.8bn last year. Analysts now believe it will be virtually impossible for the Government to achieve its budget prediction.

Soviets move on Armenia protest

Continued from Page 1

was despatched from Moscow to govern the region. Mr Fedotkin said the latest disturbances had broken out after the Soviet authorities began a big investment programme to improve roads and public transport, and provide better Armenian cultural facilities in the enclave.

WORLD WEATHER table with columns for location, temperature, and weather conditions.

Spectre raised of civil war in Beirut

Continued from Page 1

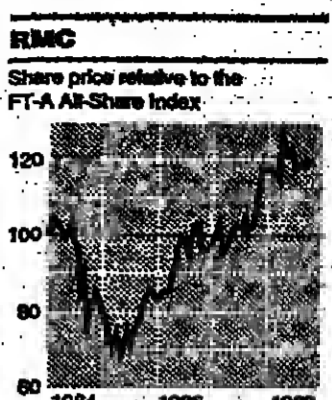
least 25,000 troops in the country, has nominated a Christian deputy, Mr Michel Daher, for the presidency, with the apparent blessing of the US.

which he could transfer his powers. This plan has already been angrily denounced by Syria's mainly Moslem Lebanese allies as the first step towards formal partition of Lebanon.

By 45-year-old convention, the Lebanese president is a Christian, while the premiership is held by a Sunni Moslem.

A final polish for British Steel

As one might expect from anything designed to get past Westminster, Brussels and the City, the capital reconstruction of British Steel is a delicately veiled compromise.



pany's share stake in LVMH has been increased by LVMH purchases of Guinness stock at well above the market price, allowing Mr Tennant to do his 1982 duty without paying 30 times earnings for the privilege.

will grow by 35 or 40 per cent this year - figures which would not be considered remotely disappointing in any other sector.

Dissect among the dynasties may be hard on the nerves of all concerned; but judging from yesterday's half year results from M'et Hennessy-Louis Vuitton, it is not too bad for business.

On the last count, the company is reasonably confident that current growth rates and prospects can be maintained. It is very different from the US software companies, like Lotus and MSA, whose fortunes have sometimes rested too heavily on one or two best-selling products.

From a market which is acutely susceptible to negative noises from the construction sector, this was hardly surprising. But in the case of RMC, the debate is really about whether earnings-per share

From a market which is acutely susceptible to negative noises from the construction sector, this was hardly surprising. But in the case of RMC, the debate is really about whether earnings-per share

Belgian shares If the London stock market is currently dominated by takeover speculation, this is nothing by comparison with what is happening in Brussels.

RMC

The combined influence of the gods and Mrs Thatcher have made the first half of 1988 one of the luckiest ever for the UK construction industry, and although RMC was at pains yesterday to stress the fickleness of the former in matters of weather, it is difficult to see the latter causing the company any very serious problems in the near future.

LVMH

Dissect among the dynasties may be hard on the nerves of all concerned; but judging from yesterday's half year results from M'et Hennessy-Louis Vuitton, it is not too bad for business.

Belgian shares

If the London stock market is currently dominated by takeover speculation, this is nothing by comparison with what is happening in Brussels.

From those wonderful people who gave you hamburgers, Hollywood and rock'n roll: financial instability, inflation and world recession?

Read the special World Economy Survey in this week's issue of The Economist.

There's a whole lot of shaking going on.



INTERNATIONAL COMPANIES AND FINANCE

AWA returns to black after programme of restructuring

By Chris Sharwell in Sydney

A PROGRAMME of restructuring has brought a turn-around in fortunes at AWA, the Australian electronics and communications group...

This would consist of a cash return of 45 cents a share - achieved through a reduction in the par value of shares from 50 cents to five cents - and a 30 cents a share cash distribution from the share premium reserve.

Japanese banks lose their financial muscle

Stefan Wagstyl on how the growth of companies' profits has given them more clout

Once, the black limousines which take important Japanese businessmen to important meetings whisked industrialists to the doors of their banks...

DEBT-EQUITY RATIOS OF JAPANESE COMPANIES. Table with columns: Total debt (Ybn), Bonds (Ybn), Stockholders' equity (Ybn), Total debt + equity (Ybn), Equity ratio (%). Rows for years 1978-1987.

By UK and US standards banking relationships remain very close in Japan, not least because banks are collectively the biggest shareholders in Japanese industry...

short-term prime rate pegged to rates in the money market. The main cause of this loosening of banking relationships lies in the decline of industry's need to borrow.

for many companies, especially exporters. So is treasury management. However, the most important field is research. Companies are increasingly placing their business with the banks that can give them the best advice on future moves.

ing long-term credit bank and first-ranked in status among Japanese commercial banks, might find itself with little to do as companies no longer needed long-term funds.

Companies have not been sackings one set of main bankers and appointing others. The difficulties foreign bankers have had in winning mainstream corporate business in Japan is compelling evidence of the value placed on long-standing banking relationships.

NOTICE OF A MEETING of the holders of

Landesbank Schleswig-Holstein Girozentrale

A\$50,000,000 13% per cent. Notes due 1990

NOTICE IS HEREBY GIVEN that a Meeting of the holders (the "Noteholders") of the above-mentioned Notes (the "Notes") convened by Landesbank Schleswig-Holstein Girozentrale (the "Bank") will be held at 12 noon (London time) on 18th October, 1988 at the offices of The Royal Bank of Canada, 71 Queen Victoria Street, London EC4V 4DE for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an Extraordinary Resolution in accordance with the terms of the Fiscal Agency Agreement dated 11th September, 1987 made between the Bank and Kredietbank S.A. Luxembourg (the "Fiscal Agent") and other relating to the Notes.

EXTRAORDINARY RESOLUTION

*THAT this Meeting of the holders (the "Noteholders") of the A\$50,000,000 13% per cent. Notes due 1990 (the "Notes") of Landesbank Schleswig-Holstein Girozentrale (the "Bank") issued under a Fiscal Agency Agreement (the "Fiscal Agency Agreement") dated 11th September, 1987 made between the Bank and Kredietbank S.A. Luxembourg (the "Fiscal Agent") and other hereby:

(1) assents to the modification of the Terms and Conditions of the Notes (as printed on the reverse thereof and in Schedule B) to the provisions of the Explanatory Statement issued by the Bank and dated 23rd September, 1988, a copy of which has been produced to this Meeting and initiated by the Chairman hereof and by or on behalf of the Bank for the purpose of identification;

(2) sanctions every modification, abrogation, variation, compromise of, or arrangement in respect of, the rights of the Noteholders and the holders of the Coupons appertaining to the Notes against the Bank involved in, or resulting from, the modification referred to in paragraph (1) of this Resolution or for the purpose of identification pursuant to, and in accordance with, the Terms and Conditions of the Notes as so modified; and

(3) authorises the execution of a Supplemental Fiscal Agency Agreement in the form of the draft produced to this Meeting and for the purpose of identification signed by the Chairmen hereof to give effect to the modification referred to in paragraph (1) of this Resolution.

The attention of Noteholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting and to paragraph 2 "Voting and Quorum" below.

VOTING AND QUORUM

- 1. A Noteholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Note(s), or a valid voting certificate or valid voting certificates issued by an Agent relative to the Note(s), in respect of the Note(s) to be voted.

AVAILABILITY OF DOCUMENTS

Copies of the Fiscal Agency Agreement may be inspected, and copies of the Explanatory Statement, voting certificates and other documents referred to above may be obtained, by Noteholders from the specified office of any of the Agents given below.

FISCAL AGENT

Kredietbank S.A. Luxembourg, 43 Boulevard Royal, L-2555 Luxembourg

PAYING AGENTS

Kredietbank N.V., Averbodestraat 7, B-1000 Brussels

ANZ Merchant Bank Limited, 55 Holborn Viaduct, London EC1A 2EU

This Notice has been approved by an authorised person for the purposes of the Financial Services Act 1986.

Mandarin Oriental lifts profits

By Michael Murray in Hong Kong

MANDARIN Oriental International, the Hong Kong-based hotel group within the Jardine Matheson stable, yesterday reported a 30 per cent increase in profits after tax and minorities to HK\$14.5m (US\$1.8m) for the six months ended June 30.

Mr Peter Tyrre, joint managing director of the Mandarin Oriental Hotels operating company, said that the performance of the group's hotel in Singapore, where there has been a severe oversupply problem, had improved considerably this year.

Mr Tyrre estimated that overseas profits now accounted for more than 20 per cent of total group profits. Mandarin Oriental was hived off from the Hongkong Land group in the middle of 1987 but has so far found it difficult to fulfil its stated ambition of expanding into gateway cities in Europe and North America.

CFR unveils issue terms

COMPAGNIE Financière Richemont (CFR), a holding company for the international investments of South Africa's Rembrandt Group, has announced terms for its share issue.

CFR said that the new entity was "now fully independent in both legal and operational terms". Each share will be twinned with one bearer participation certificate in Richemont, a wholly-owned Luxembourg subsidiary which CFR has acquired from Rembrandt.

initial offering which opens today. Each share will be twinned with one bearer participation certificate in Richemont, a wholly-owned Luxembourg subsidiary which CFR has acquired from Rembrandt.

Arbuthnot Latham Finance B.V. US \$30,000,000 Guaranteed Floating Rate Notes due 1992. In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period from 26th September, 1988 to 28th March, 1989 has been established at 8% per cent. per annum.

AMENDED NOTICE Girozentrale und Bank der Ostsee- und Ostschlesischen Sparkassen Aktiengesellschaft. Japanese Yen 10,000,000,000 Floating Rate Notes due 1996.

Eni International Bank Limited U.S. \$200,000,000 Guaranteed Floating Rate Notes due 1993. Unconditionally and irrevocably guaranteed by Ente Nazionale Idrocarburi.

Marine Midland Bank N.A. U.S. \$125,000,000 Floating Rate Subordinated Capital Notes due 1996. For the three months 21st September, 1988 to 21st December, 1988 the Notes will carry an interest rate of 8 1/2% per annum with a coupon amount of U.S. \$213.28 per U.S. \$100,000 Note.

GRANVILLE SPONSORED SECURITIES. Table with columns: High Low, Company, Price, Change, Gross Yield, P/E. Lists various stocks like Anglo-Boch, Anglo-Boch, Anglo-Boch.

L'OREAL. The Board of Directors, convened on 19th September 1988, appointed Mr Lindsay OWEN-JONES Chairman and Chief Executive officer of L'OREAL and confirmed Mr Marc LADREIT de LACHARRIERE's position as Executive Vice President and member of the Board of Directors.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

World Bank sets up Swiss issue schedule

By Our Euromarkets Staff
THE WORLD BANK has established a programme under which it can make unlimited short-term borrowings in Swiss francs...

Amex Bank seeks fresh efforts on debt crisis

By William Dullforce in Geneva
THE INDUSTRIAL countries in the Organisation for Economic Co-operation and Development...

Bell South Capital launches \$120m straight

By Dominique Jackson

THE SUCCESS of a new five-year \$120m bond launched yesterday for a unit of Bell South, the US communications group...

The borrower has been considering this third issue for some time and a number of houses were said to have bid for the mandate on the deal...

entirely had pressing requirements to raise this amount of medium-term funds. The Canadian dollar was apparently one option considered by the borrower but subsequently turned down...

Seasoned West German government bonds saw small net gains in fairly active trading, buoyed by the firmer tone to the Treasury market...

In the Euromark sector, retail investors were seen regaining their interest and several older, high yielding issues met the most recent 6% per cent federal government bond was fixed in basis points higher at 101.3.

Australian SE to speed up share transfer system

By Our Financial Staff

THE AUSTRALIAN Companies Act and Code will be amended to allow for early introduction of a new and faster share transfer system...

the second quarter of 1988, he said. Mr Sumner, who is the attorney-general of South Australia, said the current system of share transfer had been subject to considerable criticism.

German futures exchange plans dry run

By Haig Simonian in Frankfurt

A STEP-BY-STEP timetable has now been drawn up by the backers of the Deutsche Termin Boerse (DTB), West Germany's planned new financial futures and options exchange...

The exchange is likely to have between 10 and 20 market makers, according to Mr Rolf Brenner, the Deutsche Bank board member closely associated with the project...

Training will be all-important on the new exchange, as few German banks have domestic experience of futures and options beyond the limited equity options now available on German houses...

will have to hire experienced staff from abroad until the level of home-grown expertise increases. "We're starting from zero - at least for personnel," he said.

Indian state bank taps NY paper market

By Our Financial Staff

THE State Bank of India (SBI) has issued commercial paper for \$200m on the New York money market. An official said yesterday that the funds for the issue ranged from one to nine months maturity and that Goldman Sachs had been appointed dealer.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Table with columns for US DOLLAR STRAIGHTS, YEN STRAIGHTS, OTHER STRAIGHTS, and CONVERTIBLES. Lists various international bonds with their respective prices and yields.

Strong debut for Denmark's option exchange

By Our Financial Staff

DENMARK'S OPTIONS and futures market got away to a successful start yesterday. Interlocking contracts totalling DKr247m (US\$20.5m) in nominal value registered, according to the Guarantee Fund for Options and Futures.

Spanish rating

THE Kingdom of Spain's \$1.5bn of foreign bonds have been assigned a double-A credit rating by Standard & Poor's, the New York agency, writes Our Financial Staff.

NZ bonds tender

THE New Zealand Government is to raise NZ\$300m (US\$188m) at next week's tender in three and five-year bonds, writes Our Financial Staff.

Spanish rating

THE Kingdom of Spain's \$1.5bn of foreign bonds have been assigned a double-A credit rating by Standard & Poor's, the New York agency, writes Our Financial Staff.

Table with columns for DEUTSCHE MARK STRAIGHTS, SWISS FRANC STRAIGHTS, and CONVERTIBLES. Lists various international bonds in Deutsche Mark and Swiss Francs.

Table with columns for FLORIN STRAIGHTS, GULDER STRAIGHTS, and CONVERTIBLES. Lists various international bonds in Florins and Guilders.

Mandarin Oriental Interim Results 1988. Includes a large graphic of a fan and a table titled 'HALF YEAR RESULTS' showing financial performance metrics like Turnover, Profit before tax, and Earnings per share for 1988 and 1987.

UK COMPANY NEWS

Thriving construction sector provides backing for improvement
RMC rises 60% to £86m mid-way

By Ray Bashford

RMC, the world's largest producer of ready-mixed concrete, benefited from the mild winter in Northern Europe and improved trading conditions for its subsidiaries on the Continent to boost pre-tax profits from £53.7m to £86.2m during the six months to June 30.

This 60 per cent improvement was achieved after a rise in turnover from £818.5m to £992.4m, which reflected growth in volumes from all major areas of operation.

Earnings per share were 58 per cent up at 24.7p (15.6p) and the interim dividend was lifted from 3.5p to 4.6p.

The size of the group's improvement during the half

was due partly to the fact that the results for the corresponding period were hit by the impact of poor weather conditions.

Directors said the recent favourable weather conditions had brought forward work which normally would have been carried out during the second half. As a result, these latest results were likely to constitute an abnormally large proportion of the year's total.

The thriving UK construction sector provided the backing for the overall group improvement. Apart from higher sales of ready-mixed concrete and aggregates, DIY operations through the Great Mills subsidiary, also made an

increased contribution. The operating profit from UK operations rose from £33.6m to £52m.

The milder weather helped the company take full advantage of the more buoyant trading conditions in West Germany, its other major area. Weakness in the country's construction market had acted as a brake to growth in the previous first half.

Operating profits from West German operations advanced from £4.2m to £11.2m. In Spain and France, the other principal European operations, recent expansion programmes allowed the company to participate more fully in higher trading conditions.

The company does not provide a breakdown in contributions from France and Spain. However, they returned well over half of the £25.5m derived from sources listed as "other countries." This compares with a £18.1m return in 1987.

The US activities, which were doubled last January through the purchase of a joint stake in a venture with the Lone Star group for £29.5m, returned a reduced contribution.

However, directors said that the venture with Lone Star returned figures in line with those expected at time of the purchase. See Lex

Spring Ram heads for ninth record year

By Alice Rawsthorn

SPRING RAM, the ambitious kitchen and bathroom group, is on course for its ninth successive record year, after raising pre-tax profits by 54 per cent to £6.8m in the first half.

The company began trading in 1980 as a manufacturer of acrylic baths. It has since expanded rapidly to become a leading player in both the bathroom and kitchen markets.

Mr Bill Rooney, chairman, said that in the interim period the group had "continued to prosper" in established markets and had benefited from

the introduction of new products. Turnover rose to £38.1m (£29.1m) in the six months to July 2. Earnings per share increased to 5.7p (4.2p). The interim dividend is increased to 0.2p (0.15p).

Spring Ram has invested £14m in production facilities at its base in Scunthorpe. This additional capacity will be used to produce Chippendale Kitchens, which will be pitched above its two established brands when launched next month.

Mr Rooney said Chippendale was expected to double the

group's current 14 per cent share of the kitchen market within the next three years.

The Next Dimension kitchen range for the mass market is already being manufactured at Scunthorpe for sale through D-T outlets.

Spring Ram's strategy so far has been to introduce three separate ranges for the kitchen and bathroom, thereby covering all but the very highest and very lowest market sectors. It has also broadened its portfolio by launching products like files, tape and domestic appliances to co-ordinate with the basic units.

The company plans to diversify into other areas of the home through investment in extra capacity and by acquisition. It currently has no gearing.

In recent months it has also strengthened its export team and has introduced new products specially designed for export markets. The objective is to boost the proportion of sales generated overseas from 5 per cent now to 20 per cent by the early 1990s.

Mr Rooney described the outlook for the second half and for next year as "particularly attractive."

Brent Walker boosts Local London stake

By Paul Cheswright, Property Correspondent

BRENT WALKER, the acquisitive leisure group headed by Mr George Walker, yesterday mounted a fastidiously timed bid for Local London Group and, for around £11m, boosted its stake to 14.9 per cent.

Local London is a property company which itself expanded rapidly last year. It specialises in business centres but also has a 25.3 per cent share of Marina Development Group, the UK's largest marina operator.

The question of a full bid for Local London remains open, Brent Walker said. There was no response yesterday from Local London to the share purchases.

James Capel, stockbrokers acting for Brent Walker, moved into the market at about four o'clock, offering 550p apiece for Local London shares and quickly accumulated just over 2m.

The price was a premium of 130p over Local London's closing

price on Wednesday, but compared with the 735p at which Local London staged a rights issue just before October's market crash.

Yesterday evening, Local London shares closed at 538p, a rise of 115p on the day. Brent Walker shares closed 7p lower at 339p, while Marina Development responded to the news with a 50p rise to 389p.

Before James Capel moved into the market, Brent Walker had 4.9 per cent of Local London acquired at between 400p

and 550p per share. The Local London stake is the latest in a stream of acquisitions and development plans recently announced by Brent Walker.

These included the Elstree film studios, the Lyceum and the Trocadero in London's West End, WondersWorld near Corby, and a string of pubs from Grand Metropolitan.

Local London last week announced interim pre-tax profits, boosted by a series of property sales, of £5.5m.

Filofax first half fortunes fade

By Phillip Coggan

THE TIMING was unfortunate. On the day when Mr Jeffrey Archer's works first appeared in Filofax form, the personal organiser company revealed it had earned "not a penny more, but £126,000 less" in the six months to June 30 than it had in the first half last year.

The new "Filofaction" series - launched by Octopus under licence from Filofax - is only the latest gimmick in the personal organiser's 60 year-old history. But the profits fall raises the question of whether a whole series of journalistic clichés will have to be rewritten.

For the past few years, "Filofax", "Tippie" and "Porsche" have been the inseparable buzzwords in a thousand articles about materialistic young people in Thatcher's Britain. The result has been a lot of free publicity for the Filofax group.

Has the fad come to an end? Not according to Mr David Collis, Filofax chairman, although he admits that "it would be unrealistic to expect the same rate of growth in the UK market as experienced over recent years". The first of a range of new products, Deskfax, has been launched.

Mr Collis is unimpressed by the fall in profits to £318,000, pointing out that the bulk of the group's profits are made in the second half.

The shortfall was caused by the fast take-up of the group's new point-of-sale units, which are expensive to install, a move to a new distribution centre and a strengthening of management.

Overseas sales are still forging ahead except in Japan. There are 200 different Japanese personal organiser systems and the competition there caused Filofax sales to fall by around 50 per cent.

Earnings per share fell to 1.4p (2p). The interim dividend is unchanged at 0.75p.

The markets reacted like another title in the Filofaction range - James Herbert's "The Rats" - knocking 13p off the share price to 118p.

Strong growth at Logica brings 30% advance

By Terry Dodsworth

LOGICA, the UK software and systems group, achieved a 30 per cent increase in pre-tax profits in its last financial year, largely due to strong growth in the financial services market and demand for software systems from established computer manufacturers.

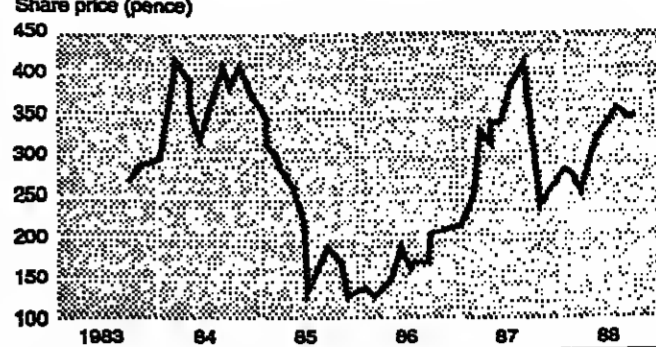
The advance in these sectors outweighed a downturn of about 10 per cent in the company's defence business and a static performance in its space-related activities, which were hit by the Government's withdrawal from several space projects. Other parts of Logica's operations, such as software for the energy industry and the utilities, registered turnover increases of about 10 per cent. Mr Philip Hughes, chairman, said yesterday.

Pre-tax profits for the year to the end of June amounted to £14.7m against £11.3m in 1987, while consolidated turnover saw an increase of 23 per cent to £124m from £101m. After-tax profits came to £9.3m compared to £7.1m, leaving earnings per share at 18.1p against 14.4p. The directors are proposing a final dividend of 1.8p per share, giving total dividends for the year of 2.3p compared to 1.7p.

The results included a three months' contribution from

Logica

Share price (pence)



Data Architects of the US, which has been merged into Logica's existing American operations since its acquisition a few months ago.

Although the Data Architects' results have not been broken out separately, Mr Hughes said that the US group had performed in line with expectations, and that it had not had a detrimental effect on group earnings per share.

Pre-tax profit margins rose sharply during the year to 11.9 per cent on sales from 11.2 per cent in the previous 12 months, reflecting a steady increase over the past few years. Mr Hughes attributed the rise to a mixture of an increasing ratio of higher value added work

and cost controls. At the year end, about 25 per cent of the group's activities were in the financial sector, where Logica claims to have been relatively insulated from the downswing in Stock Market activity by its concentration on work for the clearing banks. Sales in this sector grew by 27 per cent last year.

Work on software for the big computer groups amounted to 17 per cent of total sales, following a 37 per cent jump in sales last year. Mr Hughes said that this business now seemed to have established itself as a permanent aspect of the group's activities. See Lex

Central 28% ahead and upholds advertising share

By Fiona Thompson

CENTRAL INDEPENDENT Television, the ISA contractor for the Midlands, increased pre-tax profits by 28 per cent from £7.06m to £9.07m in the six months to June 30 1988. Earnings per share rose from 17.2p to 22.1p.

Turnover increased by 8 per cent to £113.88m against £105.28m in the same period last year, and Central maintained its market share of advertising revenue at 14.3 per cent.

The markets reacted like another title in the Filofaction range - James Herbert's "The Rats" - knocking 13p off the share price to 118p.

"Advertising revenue is continuing at a high level and results for the year should be satisfactory", said Mr David Justham, chairman.

Central has recently concluded a series of agreements on changed working practices and job reductions with a number of unions. "We are on course to reach our aim of making savings of £4m annually by 1989", said Mr Leslie Hill, managing director. Negotiations will continue for a year or two.

The tax charge rose from £2.68m to £3.4m. An interim dividend of 6p (5p) was declared.

Multitone Electronics loss rises to £0.75m

Multitone Electronics, which rebuffered a £12m takeover approach from Blick last January, yesterday reported an increased loss of £746,000 in the year ended March 31 1988, against £436,000, reflecting a deficit on North American operations of £770,000.

When announcing a reduced first half deficit the directors indicated that the outlook was improving and that full year results would be satisfactory.

The directors said yesterday that action taken, plus the large order book, should lead to a return to profitability in the current year. The dividend is again 0.1p

This announcement appears as a matter of record only. July, 1988

Oval (387) Limited
 has acquired the industrial businesses of
Hollis Industries plc

£94,300,000

Multicurrency Term & Revolving Credit and Bonding Facility

Arranged by
Bankers Trust International Limited

Funds provided by
Bankers Trust Company
The Chase Manhattan Bank, N.A.
Bank of America NT & SA
The Long-Term Credit Bank of Japan, Limited
Banque Française du Commerce Extérieur

Bankers Trust Company
 Agent

This announcement appears as a matter of record only. July, 1988

Summit Property Investments Limited
 a wholly-owned subsidiary of
The Summit Group plc

£37,500,000

Secured Term Loan

Arranged and Lead Managed by
Bankers Trust Company

Managed by
NMB Bank
Barclays Bank PLC
Bayerische Vereinsbank Aktiengesellschaft
Lloyds Bank plc
The Long-Term Credit Bank of Japan, Limited
Midland Bank plc

Bankers Trust Company
 Agent

THE PROPERTY MARKET

Paul Cheeseright looks at the rising fortunes of the National Freight Consortium's Property Group Profits in the wasteland

NFC Property Group is a child of the current property boom. By historical accident it had significant land holdings in areas which have become commercially attractive...

NFC had pretax profits of £47m, of which the contribution from property came to £5.6m. The property operating profit was £13.6m but £8m of this came from the rents paid to the property group by the BFC operating companies...

ensure long-term asset growth and will doubtless emerge as a glamour element of the flotation marketing next year. At the moment they hover in the background. The foreground is occupied by activities on the NFC estate relating to the NFC operating companies...

most striking changes in British shopping habits. Retailers have been rushing to acquire space. Since NFC Property Group became seriously involved in 1983-84, the Healey and Baker retail warehouse rent index (1977 = 100) has risen from under 300 to more than 500.

A view across the Regent's Park Canal to King's Cross station, where the NFC Property Group is engaged as developer with Rosehang and Stanhope Properties and as a minority landowner, holding nearly 20 acres of the 125-acre site.



Grainhurst consortium. With a £40m facility from Abbey National, the plan is to build 300,000 sq ft of offices, 200,000 sq ft of light industrial and retail space and 315 residential units.

at Temple Meads, Bristol, where it plans to develop 500,000 sq ft of offices with Property Trust. But the project is on hold until the establishment of the new urban development corporation in whose territory the site is situated.

the planning authority. These joint ventures, said Mr Lafferty, are part of "a balancing strategy." They are long-term developments which set off the predominantly short-term nature of the group's retail warehouse developments.

Advertisement for VICTORIA RETAIL AND BUSINESS PARK. Cornwall's Premier Location, up to 50 acres available. Fully serviced freehold sites at Roche, Cornwall on the A30.

URGENT REQUIREMENT WE ARE SOLELY RETAINED TO SECURE A FREEHOLD INVESTMENT WITHIN THE CITY BOUNDARY £1M - £2 1/2M. Vigers

Advertisement for MERIDIAN GATE. A large-scale residential or commercial development project with detailed architectural plans and specifications.

Advertisement for CAPITAL INTERNATIONAL FINANCIAL CENTRE. AN INVITATION TO A DEVELOPMENT OPPORTUNITY. LOTHIAN ROAD EDINBURGH.

Advertisement for ROYAL VICTOR PLACE. LIVE AND WORK UNDER ONE ROOF IN VICTORIA PARK E3! For Those Of You Who Wish You Had Your Own Bed At The Office!

Advertisement for PROPERTY INVESTMENT. SAVE £356,000 TAX BY BUYING FREEHOLD PROPERTY INVESTMENT. 100% Capital Allowances Investment.

Advertisement for ETBA HELLENIC INDUSTRIAL DEVELOPMENT BANK S.A. SALE OF ASSETS. THE FORMER HALKIS SHIPYARDS S.A.

Advertisement for Great Eastern House. On behalf of STC PLC. HARLOW. Prominent Building At Present Used For Headquarters Offices.

Advertisement for COMMERCIAL LOANS FOR ANY PURPOSE. FIXED INTEREST RATES FROM 10-25%. NO BROKERS FEES PAYABLE. 100% FINANCE FACILITIES.

Advertisement for WANTED INDUSTRIAL LAND IN BIRMINGHAM AREA. PLC requires 8 - 15 acre site, with planning permission for industrial use.

Advertisement for BRIDGING LOANS. ANY PURPOSE. Immediate "In Principle" Decision. LAURESTON FINANCE LTD.

Advertisement for WIMBLEDON CONSULTING OFFICE. 3 minutes walk from Wimbledon tube/train station. Fully furnished, 400 sq. ft. spacious office.

Advertisement for Parc Exclusif AIRLIE BEACH. Own a Mountaintop overlooking the Whitsunday Islands. The only freehold privately-owned mountaintop in the Airlie Beach area.

Advertisement for SOUTH HARROW INDUSTRIAL ESTATE. NORTHOLT MIDDLESEX. Single Storey Industrial Building with First Floor Offices.

Advertisement for HUNTERCOMBE PLACE, NUFFIELD, OXFORDSHIRE. A substantial grade II listed mansion set in 618 acres. Suitable for a variety of uses.

Advertisement for Parc Exclusif AIRLIE BEACH. Whitsunday Coast, Q. 4802, AUSTRALIA. The BEST PRIVATE RESIDENTIAL ESTATE IN AUSTRALIA.

Advertisement for Tenerife 59 Acres For Sale. Rare opportunity to buy a site of approx. 59 acres (24ha) with good sea frontage on south west coast of popular Canary island.

Advertisement for PRIME US INVESTMENT. 16,000 sq ft warehouse/office in large plus multi-use office, light industry. Fully leased to good tenants.

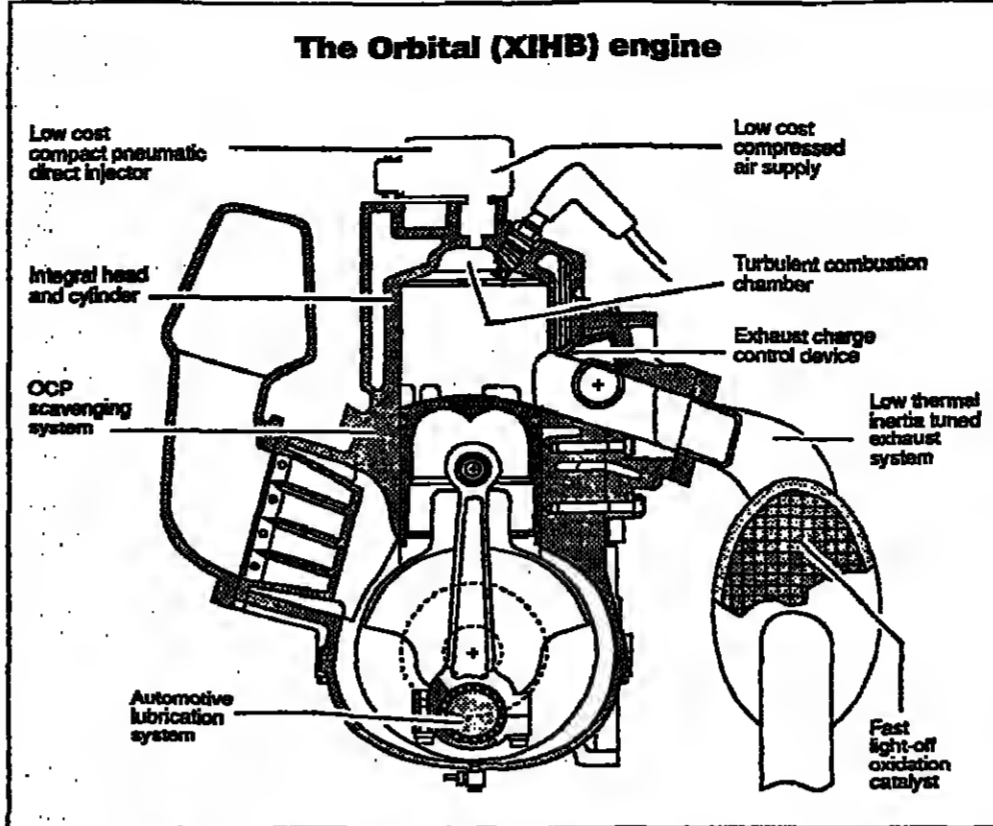
TECHNOLOGY

Turning the wheel of engine history

Chris Sherwell reports on the changing fortunes of the innovative two-stroke Orbital engine

Of all the migrant-made-good stories which are the stuff of post-war Australia, few are more remarkable than that of Ralph Sarich, inventor of the Orbital engine. In a series of ingenious steps, Sarich has built a two-stroke, three-cylinder, 1.2-litre engine which develops as much power as a four-stroke, four-cylinder, 1.6-litre internal combustion engine.

as high as A\$5.50 (22.5), they sank to A\$1.05 after last October's crash. Yesterday they stood at A\$2.20, giving the trust a market capitalisation of A\$835m. It ranks among Australia's Top 100 quoted companies.



This produces a layered effect, known as a stratified charge. While it has been achieved in other engines, the Orbital engine has a less effective, homogeneous charge. The development allows the engine to operate efficiently at part-throttle as well as full throttle.

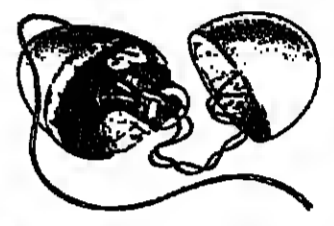
reach this stage are partly the result of time spent in the early years trying to refine the four-stroke engine. This rotary engine was eventually abandoned in favour of the two-stroke OCP piston engine. The fuel injection and combustion techniques developed on the two-stroke were applied to the four-stroke when work eventually started on it in 1983.

Another key factor behind the delay has been his determination to win the best deal possible from the car companies. Convinced he is on to something big, he has refused to succumb to attempts to discover his secrets.

Electronics gives a bird's eye view

John Hunt finds that ornithologists are making the most of modern techniques

High-tech equipment, including satellites and genetic fingerprinting, is transforming the work carried out in the UK by the Royal Society for the Protection of Birds (RSPB). The traditional birdwatcher who tramps the moors with notebook and binoculars still has an important observational role in ornithology. But modern technology has provided a powerful additional weapon.



Financial Times Guides to Investment and Financial Planning. Includes a grid for ordering books: Unit Trust Year Book 1988, Investment Bond Year Book 1988, Private Investor's Ledger 1988-89, The 1988 Investor's Companion to the Top 100 Companies, Financial Planning for the Individual, A Guide to Financial Times Statistics, Working Abroad, Investing for Beginners, and Investor's Guide to the Stockmarket.

the information to make the FT work for you and enables you to benefit financially. It includes a revised chapter on commodities, and essential information on the World Stock Markets following the Crash of '87. Invaluable to both the expert and the general reader wishing to know how the market works. Published April 1988.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trust, Abnott Unit Trust, and others, including their names and brief descriptions.

Table listing unit trusts under the heading 'Asset Unit Trusts' and 'Barrage Unit Trusts', providing details on their assets and management.

Table listing unit trusts under the heading 'Capital Growth Unit Trusts' and 'City Financial Services', detailing their investment focus and performance.

Table listing unit trusts under the heading 'Fidelity Investment Services' and 'Foreign & Colonial Unit Trusts', including information on their international investments.

Table listing unit trusts under the heading 'Henderson Unit Trusts' and 'High Income Unit Trusts', detailing their income-generating strategies.

Table listing unit trusts under the heading 'M & G Securities' and 'Merrill Lynch Unit Trusts', including details on their management and investment objectives.

Table listing unit trusts under the heading 'Merrill Lynch Unit Trusts' and 'National Investment Services', providing information on their investment performance.

Table listing unit trusts under the heading 'National Investment Services' and 'Parnall Unit Trusts', including details on their investment strategies.

I.G. INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD. Tel: 01-828 7233/5699. Reuters code: IGIN, IGIO.

CROSSWORD

No. 6741 Set by CINEPHILE. Across solutions include the 1, 7, 9, 12, 13, 15, 18, 20, 23, 27, and 28, 29 being part of a famous one.

Crossword puzzle grid with numbered squares for across and down words.

- ACROSS: 1 Bob and Anna are friends without independent capital (11). 7 Ancestor 1,488 years ago (3). 9 There are two - no connection with 6 (6). 10 Ornamental scroll for motor: a hit, I confess (9). 11 I enter obviously without protest (9). 12 Address to mothers? (5). 13 About four officers of church and state need a resistor (7). 14 Sound not quite in the mouth (4). 15 Sound with the eye (4). 16 Valley with marbles, in short, across from Skye (7). 23 Number and belief (6). 24 Belief in gradual change of more firms? (9). 26 Reminiscent of English case for address (9). 27 Number and weight impracticable (3,2). 28 Quiet half of 12 (3). 29 Napoleon could be heard? Then beware: a lie's unfolding (3,1,3,4).

Table listing unit trusts under the heading 'LAS Unit Trusts' and 'L & C Unit Trusts', including details on their investment strategies.

Table listing unit trusts under the heading 'Lazard Unit Trusts' and 'Legal & General Unit Trusts', providing information on their investment performance.

Table listing unit trusts under the heading 'Legal & General Unit Trusts' and 'Lazard Unit Trusts', including details on their investment strategies.

Table listing unit trusts under the heading 'Legal & General Unit Trusts' and 'Lazard Unit Trusts', providing information on their investment performance.

Table listing unit trusts under the heading 'Legal & General Unit Trusts' and 'Lazard Unit Trusts', including details on their investment strategies.

GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is intended to provide the service to readers and to conform with new legislation. This means that the marketing, administrative and other costs which have to be paid by new purchasers are included in the price when the customer buys units.

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FT UNIT TRUST INFORMATION SERVICE

Main table containing unit trust information with columns for company name, unit price, and other financial metrics. Includes sections for 'INSURANCES' and 'OTHER UK UNIT TRUSTS'.

INSURANCES

Table listing insurance-related unit trusts and their performance metrics.

OTHER UK UNIT TRUSTS

Table listing other UK unit trusts and their performance metrics.

FT UNIT TRUST INFORMATION SERVICE

Main table containing financial data for various unit trusts, including columns for company name, fund name, price, and performance metrics.

MANAGEMENT SERVICES

Table listing management services, including company names, addresses, and contact information.

OFFSHORE AND OVERSEAS

Table listing offshore and overseas investment options, including company names and details.

OFFSHORE INSURANCES

Table listing offshore insurance providers and their services.

Handwritten note: "Just, no list"

FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service listing various unit trusts, their managers, and performance metrics.

LONDON SHARE SERVICE

Table of London Share Service listing British Funds, Foreign Bonds & Rails, and Americans.

OTHER OFFSHORE FUNDS

Table of Other Offshore Funds listing various offshore investment vehicles.

Money Market Trust Funds

Table of Money Market Trust Funds listing various money market investment options.

Money Market Bank Accounts

Table of Money Market Bank Accounts listing various bank account options.

UNIT TRUST NOTES: Prices are in pence unless otherwise indicated and are subject to change without notice.

LONDON SHARE SERVICE

AMERICANS - Contd

Table with columns: 1988 High, 1988 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like Time Inc., Trans World Systems, etc.

CANADIANS

Table with columns: 1988 High, 1988 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like 1770 B.M. Gold Corp., 1770 B.M. Energy Corp., etc.

BANKS, HP & LEASING

Table with columns: 1988 High, 1988 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like 150000 Leasing, 150000 Leasing, etc.

BEERS, WINES & SPIRITS

Table with columns: 1988 High, 1988 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like 441 Allied-Lyons, 441 Allied-Lyons, etc.

BUILDING, TIMBER, ROADS

Table with columns: 1988 High, 1988 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like 315 MEC, 315 MEC, etc.

BUILDING, TIMBER, ROADS - Contd

Table with columns: 1988 High, 1988 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like 110000, 110000, etc.

CHEMICALS, PLASTICS

Table with columns: 1988 High, 1988 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like 42100, 42100, etc.

ELECTRICALS

Table with columns: 1988 High, 1988 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like 110000, 110000, etc.

DRAPERY AND STORES

Table with columns: 1988 High, 1988 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like 110000, 110000, etc.

ENGINEERING

Table with columns: 1988 High, 1988 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like 110000, 110000, etc.

ENGINEERING

Table with columns: 1988 High, 1988 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like 110000, 110000, etc.

ENGINEERING - Contd

Table with columns: 1988 High, 1988 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like 110000, 110000, etc.

FOOD, GROCERIES, ETC

Table with columns: 1988 High, 1988 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like 110000, 110000, etc.

HOTELS AND CATERERS

Table with columns: 1988 High, 1988 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like 110000, 110000, etc.

INDUSTRIALS (Misc.)

Table with columns: 1988 High, 1988 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like 110000, 110000, etc.

INDUSTRIALS (Misc.) - Contd

Table with columns: 1988 High, 1988 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like 110000, 110000, etc.

INDUSTRIALS (Misc.) - Contd

Table with columns: 1988 High, 1988 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like 110000, 110000, etc.

INSURANCES

Table with columns: 1988 High, 1988 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like 110000, 110000, etc.

LEISURE

Table with columns: 1988 High, 1988 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like 110000, 110000, etc.

INDUSTRIALS (Misc.) - Contd

Table with columns: 1988 High, 1988 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like 110000, 110000, etc.

INDUSTRIALS (Misc.) - Contd

Table with columns: 1988 High, 1988 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like 110000, 110000, etc.

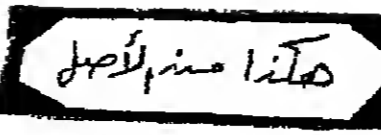
INDUSTRIALS (Misc.) - Contd

Table with columns: 1988 High, 1988 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like 110000, 110000, etc.

INDUSTRIALS (Misc.) - Contd

Table with columns: 1988 High, 1988 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like 110000, 110000, etc.

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LONDON SHARE SERVICE

LEISURE - Cont'd. Table listing various leisure companies with columns for High, Low, Stock, Price, Div, and YTD %.

PROPERTY. Table listing various property companies with columns for High, Low, Stock, Price, Div, and YTD %.

TEXTILES - Cont'd. Table listing various textile companies with columns for High, Low, Stock, Price, Div, and YTD %.

TRUSTS, FINANCE, LAND - Cont'd. Table listing various trusts, finance, and land companies with columns for High, Low, Stock, Price, Div, and YTD %.

OIL AND GAS - Cont'd. Table listing various oil and gas companies with columns for High, Low, Stock, Price, Div, and YTD %.

MINES - Cont'd. Table listing various mining companies with columns for High, Low, Stock, Price, Div, and YTD %.

MOTORS, AIRCRAFT TRADES. Table listing various motor and aircraft trade companies with columns for High, Low, Stock, Price, Div, and YTD %.

TOBACCO. Table listing tobacco companies with columns for High, Low, Stock, Price, Div, and YTD %.

TOBACCO

TRUSTS, FINANCE, LAND. Table listing various trusts, finance, and land companies with columns for High, Low, Stock, Price, Div, and YTD %.

OVERSEAS TRADERS

OVERSEAS TRADERS. Table listing various overseas traders with columns for High, Low, Stock, Price, Div, and YTD %.

PLANTATIONS

PLANTATIONS. Table listing various plantation companies with columns for High, Low, Stock, Price, Div, and YTD %.

THIRD MARKET

THIRD MARKET. Table listing various third market companies with columns for High, Low, Stock, Price, Div, and YTD %.

Commercial Vehicles. Table listing commercial vehicle companies with columns for High, Low, Stock, Price, Div, and YTD %.

Components. Table listing component companies with columns for High, Low, Stock, Price, Div, and YTD %.

TRUSTS, FINANCE, LAND

TRUSTS, FINANCE, LAND. Table listing various trusts, finance, and land companies with columns for High, Low, Stock, Price, Div, and YTD %.

FINANCE, LAND, ETC.

FINANCE, LAND, ETC. Table listing various finance, land, and other companies with columns for High, Low, Stock, Price, Div, and YTD %.

MINES

MINES. Table listing various mining companies with columns for High, Low, Stock, Price, Div, and YTD %.

NOTES

NOTES. Text providing information about the stock exchange listing and related regulations.

Garages and Distributors. Table listing various garage and distributor companies with columns for High, Low, Stock, Price, Div, and YTD %.

NEWSPAPERS, PUBLISHERS. Table listing various newspaper and publisher companies with columns for High, Low, Stock, Price, Div, and YTD %.

SHIPPING

SHIPPING. Table listing various shipping companies with columns for High, Low, Stock, Price, Div, and YTD %.

OIL AND GAS

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Central Rand

Central Rand. Table listing various Central Rand companies with columns for High, Low, Stock, Price, Div, and YTD %.

Far West Rand

Far West Rand. Table listing various Far West Rand companies with columns for High, Low, Stock, Price, Div, and YTD %.

PAPER, PRINTING, ADVERTISING. Table listing various paper, printing, and advertising companies with columns for High, Low, Stock, Price, Div, and YTD %.

SHOES AND LEATHER. Table listing various shoes and leather companies with columns for High, Low, Stock, Price, Div, and YTD %.

SOUTH AFRICANS

SOUTH AFRICANS. Table listing various South African companies with columns for High, Low, Stock, Price, Div, and YTD %.

Central African

Central African. Table listing various Central African companies with columns for High, Low, Stock, Price, Div, and YTD %.

FINANCE

FINANCE. Table listing various finance companies with columns for High, Low, Stock, Price, Div, and YTD %.

DIAMOND AND PLATINUM

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TEXTILES. Table listing various textile companies with columns for High, Low, Stock, Price, Div, and YTD %.

SHOES AND LEATHER. Table listing various shoes and leather companies with columns for High, Low, Stock, Price, Div, and YTD %.

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REGIONAL & IRISH STOCKS. Table listing various regional and Irish stocks with columns for High, Low, Stock, Price, Div, and YTD %.

TRADITIONAL OPTIONS. Table listing various traditional options with columns for High, Low, Stock, Price, Div, and YTD %.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns: EQUITY GROUPS & SUB-SECTIONS, Thursday September 22 1988, Wed 21, Tue 20, Mon 19, Year ago (approx). Lists various equity groups like CAPITAL GOODS, BUILDING MATERIALS, etc.

Table with columns: FIXED INTEREST, AVERAGE GROSS REDEMPTION YIELDS, PRICE INDICES, The Sep 22, Day's change, Wed 21, etc. Lists yields for British Government, Medium, High, etc.

Table titled 'RISES AND FALLS YESTERDAY' showing British Funds, Demission and Foreign Bonds, Corporate Bonds, etc.

Table titled 'LONDON RECENT ISSUES' showing EQUITIES with columns: Issue, Amount, Last, High, Low, Stock, etc.

Table titled 'FIXED INTEREST STOCKS' showing Issue, Amount, Last, High, Low, Stock, etc.

Table titled 'RIGHTS OFFERS' showing Issue, Amount, Last, High, Low, Stock, etc.

Table titled 'TRADITIONAL OPTIONS' showing Issue, Amount, Last, High, Low, Stock, etc.

LONDON TRADED OPTIONS

Large table with columns: CALLS, PUTS, Option, etc. Lists various options like Allied (LMS), B.P. (P28), etc.

INTERNATIONAL PROPERTY: PARIS. Two strides from the Arc de Triomphe. In the heart of the business district (Franklin-Roosevelt). SALE BY OWNER. DETACHED OFFICE BLOCK 5,600 m2.

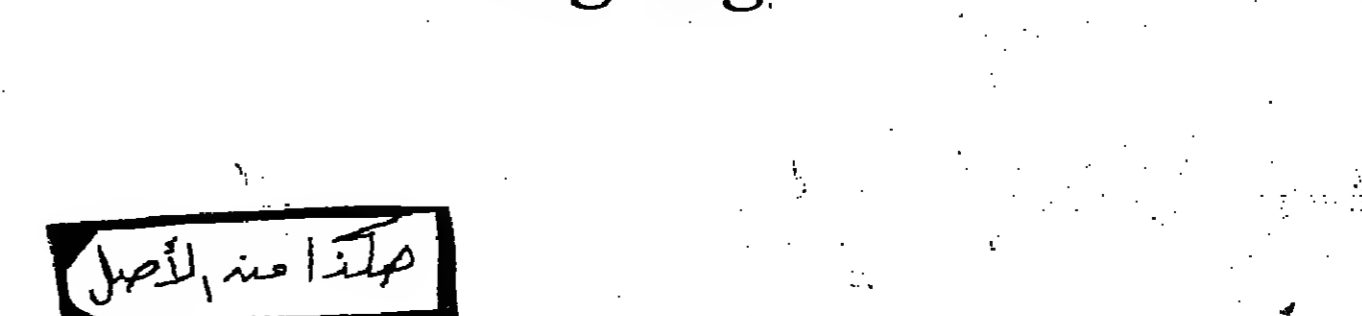
VILAMOURA, ALGARVE. Privately owned commercial premises in prime marina based location constructed in 1987.

M25 PROPERTY. The Financial Times proposes to publish this survey on Friday 28th October 1988. For a full editorial synopsis and advertisement details, please contact: Joe Bell.

COMPANY NOTICES: De Beers Consolidated Mines Limited. NOTICE TO HOLDERS OF DEFERRED SHARE WARRANTS TO BEARER PAYMENT OF COUPON NO. 81. With reference to the notice of declaration of dividend advertised in the Press on 17th August, 1988...

STATE BANK OF SOUTH AUSTRALIA. AS75,000,000. FLOATING RATE NOTES DUE 1994. Holders of the notes of the above issue are hereby notified that for the next interest sub-period the following will apply: INTEREST RATE: 13.12 PER CENT PER ANNUM.

Now there's a strong case for looking in the FT. Be sure to get your copy of the Financial Times on 26th September. That's the day we launch our new Legal Pages. Published every Monday, they'll cover the business and commercial news that affects your profession, your clients and you.



LONDON STOCK EXCHANGE

Good undertone as the market pauses

THE EXCITEMENT generated by Minoro's recent UK bid in the mining sector continued to resound through the London stock market yesterday.

Consolidated Gold Fields fell back as investors pondered the latest developments in what may prove a prolonged bid saga.

night US investors, who cut their holdings in the pharmaceutical group from 17 per cent to 12 per cent of the equity portfolio this year, are now rebuilding their Glaxo portfolio.

President Reagan's health circulated. The closing tone was steady. The FT-SE Index ended the day a net 6.1 down at 1783.7.

moderation in the rate of increase in note circulation, did nothing to change the bond market's perception of the strength of consumer spending.

FINANCIAL TIMES STOCK INDICES

Table with columns for indices (Government Secs, Fixed Interest, Ordinary, Gold Mines, Ord. Div. Yield, P/E Ratio, SEAO, Equity Turnover, Equity Bargains, Shares Traded) and rows for Sep 22, Sep 21, Sep 20, Sep 19, Sep 18, Year Ago, High, Low, Since Completion.

S.E. ACTIVITY

Table with columns for indices (Gilt Edged Bargains, Equity Bargains, 5-Day average, Gilt Edged Bargains, Equity Bargains) and rows for Sep 21, Sep 20.

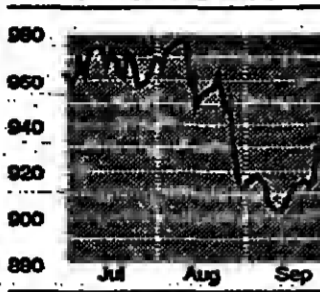
London Report and latest Share Index: Tel. 0663 12001

Abbey story rejected

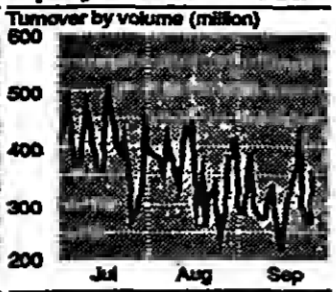
A rush to buy stock of Abbey Life, said to reflect the search for a bid target to replace Sun Life in the insurance sector, was discounted by Mr Michael Hetherington, the chairman of Abbey.

After a few weeks in the doldrums the shares of Local London, the property group specialising in business centres, took off spectacularly after a 10 per cent increase in share price.

FT-A All-Share Index



Equity Shares Traded



has a lot of interesting assets, but to mention a very good property team. Brent Walker closed 7 lower at 369p.

Gold Fields off

Persistent selling of Consolidated Gold Fields was largely ascribed to profit-taking, although some market sources began to take a more cautious view of the 22.9bn offer from Minoro.

Vickers shoot up

Disappointing interim figures from Vickers, (£24.5m pre-tax against £26.5m), were quickly forgotten as the market turned its attention to stocks building speculation.

Textile fallout

Coertsluis continued to experience a fallout from rival Coats Patons' mid-August trading setback which came as a shock on Monday. Coats' misfortune was owing largely to a poor performance by the UK clothing-related companies.

knitwear interests. Hoare Govett is among the forerunners to lower its sights for both divisions. The overall effect means that the securities house now expects group profits to be £211m against the previous estimate of £225m.

But marketmakers spoke of several sizeable deals running the price higher to 309p before professional profit-taking set in.

Edinburgh and Gateshead, boosted NEI 2 1/2 to 87p. Crown Communications moved ahead smartly on news of the 560m TV news contract from British Satellite Broadcasting.

Standard Chartered dropped 14 to 583p as Wednesday's bout of bid speculation gave way to widespread profit-taking.

Capital Radio need ahead to close 24 to the good at 379p, highlighting some strong gains in the radio stocks. Prestwich, meanwhile, jumped 19 to 140p on news that a number of the

NEW HIGHS AND LOWS FOR 1988

Table listing new highs and lows for 1988 across various sectors like AMERICANS, CANADIAN, EUROPEAN, etc.

APPOINTMENTS

Restructuring at Bass Group

BASS has appointed Mr P.C. Sherlock as an executive director and Mr K.H.M. Dixon as a non-executive director. Mr Dixon is chairman of Rowntree and vice-chairman of Legal & General Group.

time to the development of group strategy. Mr Jim Graham has been appointed a director of GÉNERAL COSMETIC BUILDING.

Mr Noel Kelly has been appointed chairman of HOME-TUNE, the mobile home building company.

Mr J.R.D. Swan will assume responsibility for beer marketing. Helges & Butler and Alexis Lichme on March 1 and soft drinks (Rivvic Corona) and off licences (Augustus Barnett) on May 1.

Mr R.D. Langton will assume responsibility for Toby Restaurants in addition to his responsibility for Crest Hotels and Holiday Inns International.

Mr J.R.D. Swan will assume responsibility for beer marketing. Helges & Butler and Alexis Lichme on March 1 and soft drinks (Rivvic Corona) and off licences (Augustus Barnett) on May 1.

Mr M. Martin Littlejohns has been appointed managing director of KITTY LITTLE, Kitty Little Group's principal operating subsidiary.

Mr R.D. Langton will assume responsibility for Toby Restaurants in addition to his responsibility for Crest Hotels and Holiday Inns International.

Mr J.R.D. Swan will assume responsibility for beer marketing. Helges & Butler and Alexis Lichme on March 1 and soft drinks (Rivvic Corona) and off licences (Augustus Barnett) on May 1.

technical directors: Mr Amer Sarraam (process technology), Mr Jim Sullivan (project services), and Mr Roger Taylor (engineering). Mr David Beavis, company secretary, also becomes a director.

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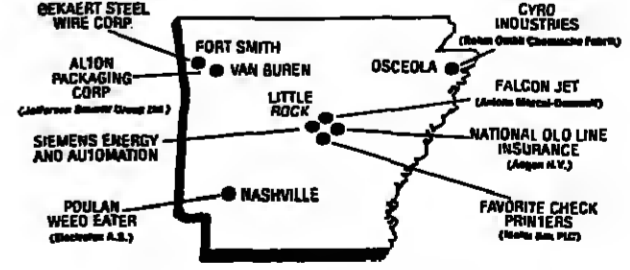
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CENTRALLY AND PROFITABLY LOCATED

When it's time to start, expand or relocate your business in the United States, it's also time to discover the benefits of Arkansas. Come discover Arkansas' convenient central location in the heart of America, with more than 40% of the population and effective buying income of the United States within a 550-mile radius of our state.



Form for requesting information: For more information on Arkansas and how we can work well for you, please contact: State of Arkansas/European Office, Mr. Peter Armstrong or Ms. Sybilte Magee, Avenue Louise 437 (Rte. 4), B-1050 Brussels, Belgium. Telephone (20 649 60 24) Telex 620822 Belg (2) 649 4807.

COMMODITIES AND AGRICULTURE

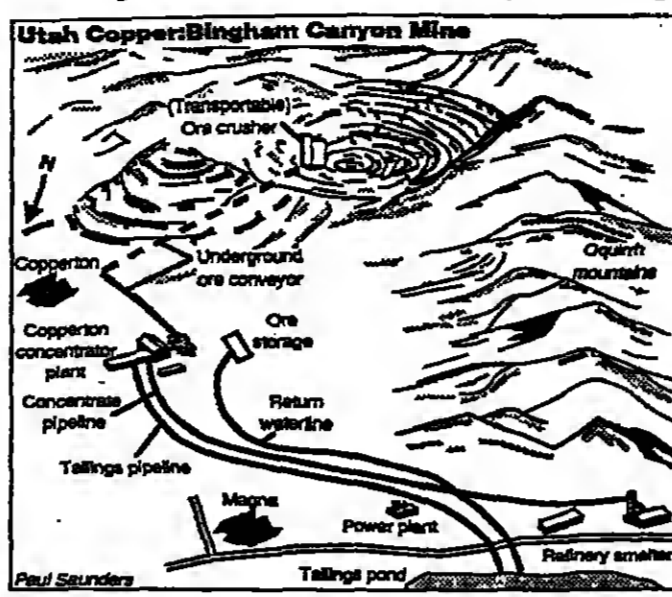
Ok Tedi 'halted by strikers again'

THE HUGE Ok Tedi mine in Papua New Guinea, containing one of the world's biggest deposits of gold and copper, has again been halted by strikers reported to have gone on the rampage in a dispute over conditions.

Copper-bottomed programme successful in US

Kenneth Gooding on BP's Bingham Canyon lead in bringing mining operations back from the pits

BINGHAM CANYON, the world's deepest open-pit copper mine, provides a prime example of North America's so-called Lazarus mining operations. These are the operations apparently killed off by the long period of extraordinarily low metal prices in the first half of the 1980s but which have had new life breathed into them.



high demand for copper which lasted for 25 years until the end of the 1970s. For most of that time copper supply was in the hands of relatively few companies which ensured production did not move too far ahead of demand to depress prices.

benefits, in 1985; today the figure is \$14.50, including \$4 in benefits. Moreover, some restrictive working practices were cut from the contract. For example, no longer did a member of another union to travel five miles to unscrew a lid on equipment he had to repair; no longer did each work crew comprise a fixed number of people even when there was nothing for some to do.

World grain output forecasts reduced

THE DROUGHT in North America coupled with a recent decline in prospects for the Soviet harvest are behind a substantial reduction in the International Wheat Council forecasts for 1988-89 world grain production.

EC cheese ruling THE FREE movement of cheese was upheld by the European Court of Justice yesterday. Reuter reports from Luxembourg. The court ordered France to accept imports of West German edam, overruling French and Dutch objections.

Malaysian rubber 'hit by Taiwan, China defaults'

By Wong Sulong in Kuala Lumpur MALAYSIA'S RUBBER trade is reported hit by big defaults by Taiwanese and Chinese buyers of latex concentrate, following the sharp fall in the commodity's prices in recent weeks.

Venezuelan oil reserves growth predicted

VENEZUELA'S NATIONAL oil company, Petroleos de Venezuela SA, expected to add 6.4bn barrels of light and medium-crude oil to its proven, probable reserves from next year to 1994, Mr Arevalo Guzman, a board member, said at a geophysical conference in Caracas.

Winnipeg exchange appoints president

THE Winnipeg Commodity Exchange has appointed a president three months after Mr Douglas Ford left to assume the vice-chairmanship of the troubled Hong Kong Futures Exchange.

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WORLD COMMODITIES PRICES

LONDON MARKETS

Table of London market prices for various commodities including Gold, Silver, and various oils.

COCOA & RUBBER

Tables showing prices for COCOA and RUBBER commodities.

LONDON METAL EXCHANGE

Table of London Metal Exchange prices for various metals.

POTATOES & SOYABEAN MEAL

Tables showing prices for POTATOES and SOYABEAN MEAL.

US MARKETS

Table of US market prices for various commodities.

NEW YORK

Table of New York market prices for various commodities.

CHICAGO

Table of Chicago market prices for various commodities.

Handwritten note in Arabic script: "بنتا من الحاصل"

WORLD STOCK MARKETS

Table of world stock markets including Australia, France, Germany, Netherlands, Sweden, and Switzerland. Columns include stock names, prices, and changes.

Table of world stock markets including Canada, Japan, and various international indices. Columns include stock names, prices, and changes.

Table of world stock markets including Toronto, London, and other major markets. Columns include stock names, prices, and changes.

Table of world stock markets including various international indices and market activity. Columns include index names, values, and changes.

Table of world stock markets including various international indices and market activity. Columns include index names, values, and changes.

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World grain output forecasts reduced - David Glasman

Vertical text on the right edge of the page, possibly a page number or additional page information.

3pm prices September 22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices for various companies, organized in columns with headers for stock names, prices, and changes.

Advertisement for Philips Television with the headline 'SEUL CHOSE PHILIPS TELEVISION' and 'SHOULDN'T YOU DO THE SAME?'.

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, and change. Includes sub-sections for 'Continued from previous page' and 'Over-the-counter'.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, and change.

OVER-THE-COUNTER

Table of Over-the-Counter prices listing various stocks with columns for stock name, price, and change.

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AMERICA

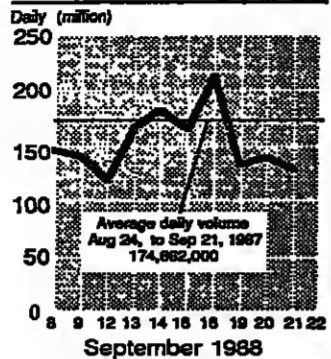
Dow falls in low volumes on futures-related activity

Wall Street

THERE was little momentum for share prices yesterday and volumes remained low in a session which saw some early futures-related programmes pushing the market lower...

strong employment numbers for September. Bear Stearns said yesterday that economic and investment fundamentals warranted equal holdings of stocks and bonds...

NYSE Volume



was not much more than 5 per cent. However, despite the fact that many analysts believe investors should be getting into the stock market...

EUROPE

Shock trade figures unsettle Paris

DOMESTIC factors were largely responsible for movements in the main European markets yesterday, although the lower opening on Wall Street caused concern all round...

London SELECTIVE demand from the US for blue chips such as Glaxo, Reuters and Beecham helped partly to counter two London sell programmes and profit-taking...

EUROPE

Austrians start to cast caution to the wind

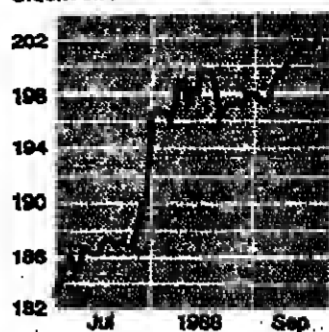
Judy Dempsey on a change of attitude that has helped to blow Vienna to a year high

Renewed foreign buying, a clutch of new listings in the near future and changing attitudes among cautious Austrian investors have given the share index of the Vienna bourse a much-needed lift over the past few weeks...

court case, the shares of Montana, the Austrian group specialising in financial services, mining and biochemical products, rose a spectacular \$311,000...

returning. However, unlike with previous spurts of foreign, short-term buying, Austrian bankers say that this time round investors "are looking at the long-term."

This trend is underlined by the recent launch in New York of a package of medium-term investment shares by Leanderbank, Austria's third largest bank...



to sell 49 per cent of its holdings - and the recent tax reform, which will lead to taxes on some savings accounts.

CANADA

WEAK energy issues and industrial stocks pulled Toronto shares slightly lower in brisk midday trading. The composite index, which had risen about 3 points in earlier trading...

SOUTH AFRICA

A FURTHER fall in the billion price sent Johannesburg gold prices lower in thin, confused trading yesterday. A fluctuating financial rand added to the uncertainty.

ASIA PACIFIC

Tokyo A WAVE of selling by trust funds helped take equities sharply lower in Tokyo yesterday after Wednesday's brief rally...

scope for a proposed capital gains tax. In morning trading, large capital steel issues continued on Wednesday's firm note, with Kawasaki rising to a new high...

however, failed to sustain its momentum and closed up a modest 99 at 795. Tokyo Gas also rose in early morning trading to match its record high of ¥1,830...

Roundup BARGAIN-HUNTERS appeared in Asia Pacific markets, helping to boost Hong Kong and to reduce the day's losses in Singapore and Australia.

Trust fund selling knocks Nikkei

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London SELECTIVE demand from the US for blue chips such as Glaxo, Reuters and Beecham helped partly to counter two London sell programmes and profit-taking...

Dresden fell DM4.50 to DM287.50 and Commerzbank dropped DM2.20 to DM246.30. Cars went in different directions, with BMW easing 60 pig to DM6.50...

BRUSSELS saw its strong run of recent days interrupted when speculators in Tractebel, the energy and telecommunications giant...

ZURICH benefited from the switch out of gold into equities and ended higher in increased volumes. MADRID was beset by interest rate worries and shares moved lower...

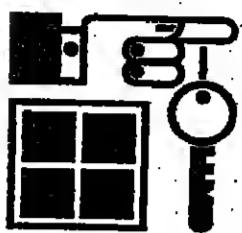
FT-Actuaries World Indices

Table with columns for National and Regional Markets, Wednesday September 21 1988, Tuesday September 20 1988, and Dollar Index. Rows include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, Europe, Pacific Basin, Euro-Pacific, North America, Europe Ex. UK, Pacific Ex. Japan, World Ex. US, World Ex. UK, World Ex. SA, World Ex. Japan, and The World Index.

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FINANCIAL TIMES SURVEY



What will happen to property in the Square Mile when more becomes available in the

central London area and its immediate environs? The outlook, says Paul Cheeseright, Property Correspondent, should become clearer in the next six months

Sunshine is not forever

UNCERTAINTY IS the keynote now. The City of London property market until last autumn had talked itself into a growth-is-forever state of mind. The demand for space had seemed endless, the prices people would pay to purchase or lease it had seemed without limit. Now it seems less simple.

Few believe that the market is heading for a crash, but many believe it may quietly sink a little, or, to put it another way, learn to live with a situation where tenants and buyers have more choice.

There are problems of definition, of course. The City of London is no longer a discrete entity held in by Holborn, Hackney, Tower Hamlets and the Thames. The finite space has forced financial houses out to compete for space in other areas. Indeed, some observers have suggested that the pace of rental rises in the West End has made the City look cheap.

So the financial community has been spreading out and there are moves to widen it further. The Canary Wharf development at London Docklands is directed at the establishment of a third London office centre, along with the City and the West End, but even without Canary Wharf,

the office stock in Docklands is increasing.

But the stock will increase elsewhere too. Not so much in the West End as such - there are space restrictions - but in Holborn, King's Cross and Paddington. The point is that the City will become less of a market unto itself. It will be one part of a much wider market because the supply cycle is extending.

It could be argued that the current national commercial property boom began in the City. Changing demand for accommodation, allied to the expansion of the financial sector consequent upon deregulation and the growth of London as an international financial centre, caught the City unprepared in 1985 and early 1986.

The response, encouraged by the City planners, was an explosion of development activity, which is now beginning to work its way through the supply pipeline and which will have its full impact on the market not this year but in 1989-91.

At that stage it would normally be the case that developers would slacken their activities, waiting for the market to absorb the new space, waiting for new rental trends to be



Planners, anxious to push building projects beyond conservation areas to the periphery of the City are looking at London Docklands

City of London Property

established. Traditionally the market has moved in cycles.

Indeed, there has been some evidence that developers have been preparing for just this eventuality, concentrating their purchases of land and buildings on properties which have an existing rental stream. Their buying activities have in any case dropped since last year.

What is different about the current cycle is the amount of building going on elsewhere. The supply cycle therefore becomes strung out. Canary Wharf space, available now for pre-letting, will be physically available from around the time that the City itself will be

feeling the effects of the current building boom.

That much is fairly certain. The uncertainty surfaces in any consideration of what happens to property in the Square Mile once there is a much greater availability elsewhere in the central London area and its immediate environs.

The outlook should become clearer after about six months, when it has become apparent how developers will deal with the planning consents they already have in their pockets. The amount of construction going on now is a fraction of what could take place if all the consents were acted upon.

There will always be a market for high quality buildings which meet the need of financial and professional tenants in the City. Despite the current building boom, the general standard of accommodation available is not high. But there will be less of a market for the hastily constructed buildings of lower quality in fringe locations. It seems likely that many projects falling into that category will never come out of the ground.

If they did, then there could be a space glut of Dallas or Houston proportions, enabling potential tenants to drive down rents and extract cost

CONTENTS

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Demand: bait is tasty, but some may wriggle free	3	Stock market: assets count as interest rates rise	8
Periphery: Square Mile gets bigger	4	Construction and long-term skills: gold dust on Concorde 7	7
Development companies: the		Tenants: starting to call the tune	8

longer expect flexible treatment of, for example, plot ratios - the proportion of space relative to the land area on which it is built. The ratio has been set at five-to-one.

The City planners have no desire to see the Square Mile littered with empty buildings. The difficulty, though, is trying to estimate demand. The equity market crash brought home the forgotten point that the financial markets, like the property markets, move in phases and that expansion could not continue for ever. Since then, securities turnover has been lower, making glaringly obvious the simple notion that financial houses will not endlessly mop up space.

The argument that any slackening in the demand for financial houses will be happily absorbed by professionals like solicitors and accountants fails to take into account the fact that many of the professionals live off the financial houses. Retrenchment in one leads to a slowing down in demand for the services of the other.

That said, for as long as London is an international financial centre, there will be a base level of demand. The trouble is nobody knows where to draw it. The evidence of the last few months suggests some slowing down of the market once immediate space needs have been met. These are of course extensive and the rate of take-up, monthly blips notwithstanding, has remained high.

A slowing down would mean that City rents, after the heavy rise of the last year, have reached or about to reach a plateau. It would mean that there are unlikely to be too many property purchases on the extravagant scale of the Obayashi acquisition of Braeken House, the Financial Times headquarters, when the price reached £3,575 a square foot, some £1,500 more than a British company might have paid.

The prospect of a slowdown already seems to have entered the calculations of the banks. This does not mean that they have stopped lending for City property developments. Far from it. But it does mean that they are assessing with even

greater care some of the more marginal proposals.

Bank lending to property companies generally has exploded and there has been a strong representation of foreign banks in the chase for clients. This chase, at least before the stock market fell, meant in some cases a readiness to accept rental projections for new buildings based on expectations of a rising market.

But now, banks are apparently insisting that revenue projections for a building are done on the basis of existing rental levels. Caution has replaced hope.

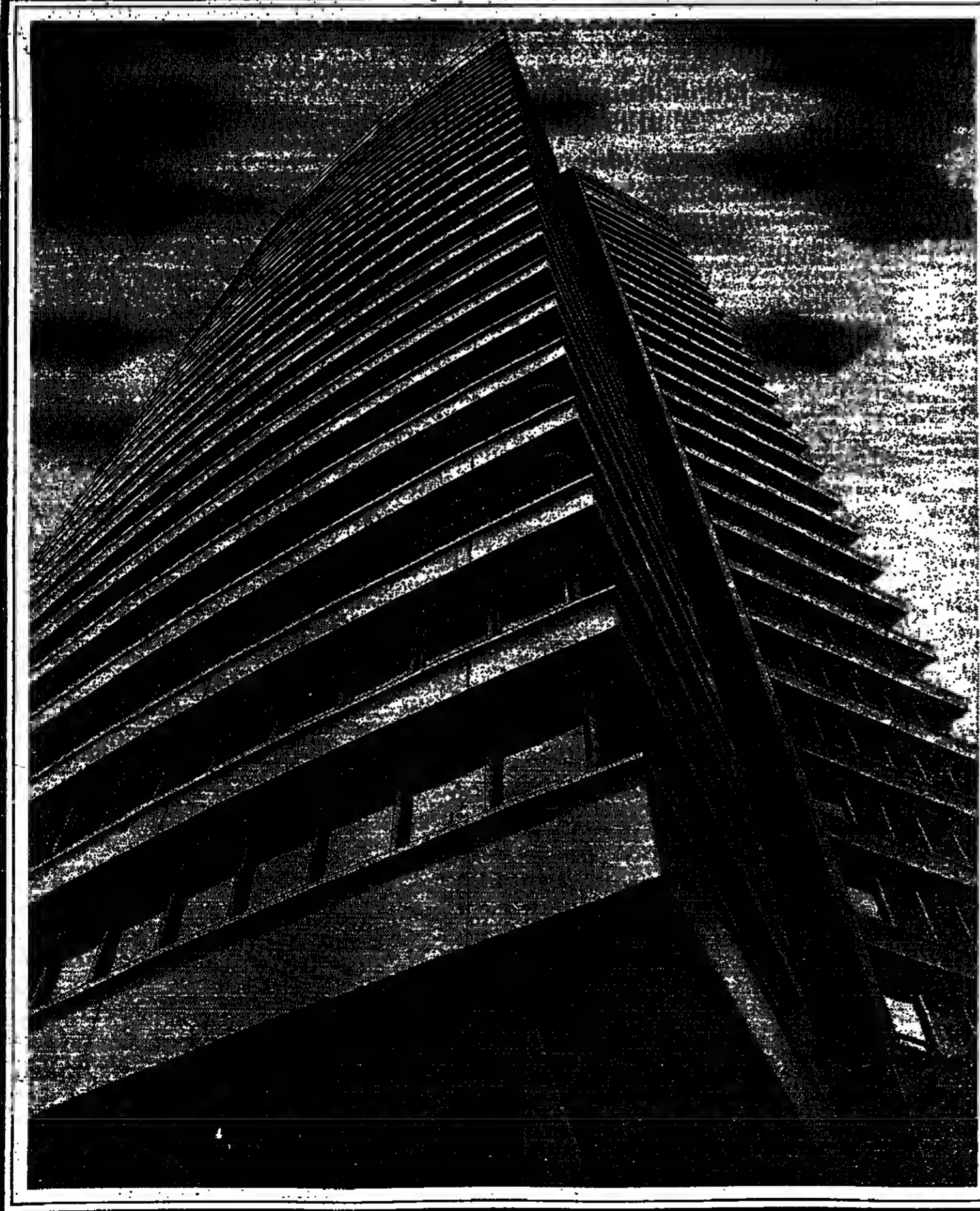
This factor is itself a deterrent to some new building and does not take into account the effect of the higher level of interest rates. Upward changes in interest rates will not necessarily have affected developments already taking place. Many of the property investment companies have secured long-term finance at fixed rates. Many of the short-term loans will have interest rate hedges built into them.

But if interest rates remain at their present levels, then the costs of new financing for new developments will have increased, thus forcing a reassessment of the prospects for a new building, especially when those prospects are pitched against the background of the likely new supply.

There are, in short, a number of questions hanging over the City property market in the medium term which the players in the market are now seeking to address. If the questions merely concerned demand and financing that would be one thing. But they go further.

It is not clear what will be the impact next year of the imposition of value added tax on property transactions. It is not clear how tenants will seek to handle their accommodation costs in the light of the imposition of the uniform business rate from 1990 when the supply-demand balance could be swinging in their favour.

It is all very sobering after the heady days of last summer when the sun looked as if it would shine forever.



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CITY OF LONDON PROPERTY 2

New schemes are expanding the office stock. Yet developers may not be as daft as they seem

Signs of timidity from the bulls

AT FIRST sight, the City of London appears to be facing a tidal wave of new development which will dwarf anything that has gone before and could create huge areas of unlet space. Estimates vary of offices either under construction or on the drawing board, but they all nudge close to 30m sq ft.

When this figure is set against the total stock of about 66m sq ft, it is understandable that financial backers are concerned, particularly when big schemes such as Canary Wharf and King's Cross are also set to come into play within the next five years.

Even at second sight, the prospect for a glut seems overwhelming. So why are there still question-marks over every attempted analysis of the City's future?

One reason is the sheer impossibility of working out exactly how much space will be required in the next decade (see article on demand, opposite). The other revolves round the interpretation of these massive figures.

Put simply, the optimists believe that developers are not as daft as they are painted. They can see supply figures swelling better than any outsider and will keep many schemes firmly glued to the drawing board if they cannot wrinkle out a pre-let.

So the long-term statistics are fairly meaningless. Already there are some proposed developments which have slipped back into the 1980s. Stanhope seems to have put its 250,000 sq

ft London Wall development on the back burner and Greycoat has short-let space in Moor House, a similar-sized project on the same street.

One reason why the property team at Morgan Grenfell takes a relaxed view about impending over-supply is that developers like these can bide their time. They have the cushion of income flowing from short lets on buildings such as those on London Wall or low site-carrying costs, as at Broadgate and Wates' 400,000 sq ft proposal for City Plaza.

Another reason for Morgan Grenfell's confidence lies in their close analysis of the supply figures. They point out that half the 19m sq ft they have identified in the pipeline is not extra space at all: the buildings will replace existing offices.

Tenants are desperate for more modern offices to accommodate the new technology which dominates business life, so the City is swirling with movement. Healey & Baker recently found that most of the occupiers it questioned intended moving within five years.

Developers still ploughing ahead with schemes seem to lean on this longer-term confidence in demand. "Take-up may have been enormous in the years since 1980, but very little additional space has been created in that time," says Mr Peter Hunt, chairman of Land Securities.

He is quite relaxed about his 650,000 sq ft City development

	Available	Approved	Application	Total
Sub 25,000 sq ft	1,031	854	471	2,356
25-50,000 sq ft	328	1,494	730	3,152
50-100,000 sq ft	1,343	2,142	919	4,404
100-200,000 sq ft	985	2,293	1,098	4,376
200,000+ sq ft	1,626	7,464	3,976	12,966
Totals	5,913	14,257	7,094	27,274

Source: Jones Lang Wootton

programme and has just started work on another giant at Milton Court in Chiswell Street. It helps, of course, when half that scheme is pre-let, but then so is more than 80 per cent of the total space currently under way in the City.

The main concern of doubting Thomases centres not on some massive surplus stretching into the 1990s but a relative imbalance which will bring rental growth screeching to a halt over the next two or three years. Morgan sees enough inbuilt demand to postpone any weakening until 1991, with rents drifting up until then to between \$25 and \$35 a sq ft on large developments and \$25 to \$28 on smaller core space.

Mr Geoffrey Pentecost of Jones Lang Wootton believes the crossover will come earlier - perhaps next year. Even then there will be some hot-spots such as the City core and its western fringes where supply will be limited. Like Mr Hunt, he believes that tenants will revert to demanding specific locations like this and

keep rents moving.

"You can't talk of a simple supply-demand balance because this will vary by areas according to preferences with, say, professional firms flocking to the western City fringes," he says.

Among this herd of bulls wander a few bears. Mr Geoff Marsh of Applied Property Research, much in demand from agents and developers for its computerised analysis of market trends, has been urging caution since long before last October's crash blew the froth off the City.

"There is an idea going around that we will follow the pattern of New York as a world financial centre," he says. "New York has 30m sq ft of offices, London has only 15m sq ft - therefore we have the capacity to expand. What is not mentioned is that London rents are twice those across the Atlantic.

"The property market is not immune to the price mechanism. Agents are privately producing reports that predict

downward trends in rents."

APR has been forecasting falling rents since August last year - long before Black Monday. That in itself leaves APR open to charges of Beckmanitis (a syndrome attributed to Mr Bob Beckman, the pundit who has been predicting a property crash ever since the 1970s).

But Mr Marsh sees little reason to change his view that the market is due for a bucket of cold water as demand and supply race past each other in opposite directions.

Even the bulls show some signs of timidity. Vacancy rates which have fallen as low as 1.5 per cent are likely to rise in the next year or two to around 6 per cent and pre-lets are declining as the Big Bang effect fades. That is still well below other world centres such as New York, says Jones Lang Wootton, but it concedes in an overview of the City market published this month that future supply could "give cause for concern."

It also points to a "spectre of uncertainty", reinforced by the prospects of new VAT charges and business rate increases.

Even the pre-letting cushion may be deflated. Savills says that up to 20 per cent of space taken for future occupation could come back on the market as tenants sub-let offices they do not need. Meanwhile, the space released as tenants claim their pre-lets will flood on to the market.

For the moment, that is a godsend for tenants desperate

for space and location has been sacrificed to availability. J.L.W. says take-up soared 80 per cent to 870,000 sq ft in the first six months of this year.

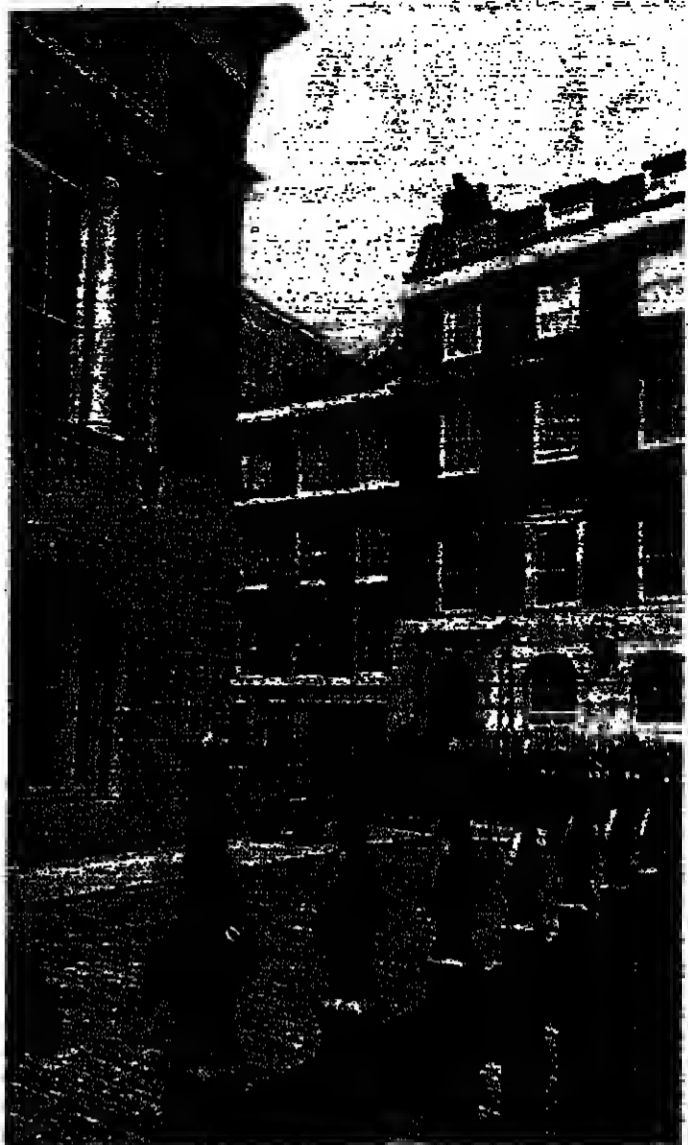
Eventually this will turn into the separate tier, with poorly located or serviced space dragging average rents down much more quickly than prime offices, however.

Developers such as Mr Hunt see that more as an opportunity than a disadvantage. Only about a third of the City's stock has been dragged into the age of technology and the more outdated space that becomes available, the more chance there is to satisfy ill-commodated tenants.

There are few question-marks in the minds of certain single-minded developers - only solutions. Land Securities insists it is careful to build only in the best locations for a planned market. But the danger pointed out by Morgan Grenfell is that others may plough ahead irrespective of demand, because they are so securely financed they risk very little.

For every reassurance about fears of over-supply there seems to be a danger lurking in the background. How these balances out at a time of such uncertainty becomes a matter of opinion.

In the end one more attempted analysis of the future of City property can only conclude with a question-mark.



Arundell House recently won the City Heritage Award for restoring 41 and 43 Trinity Square, near the Tower of London

David Lawson



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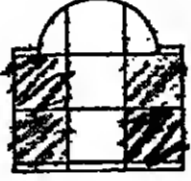
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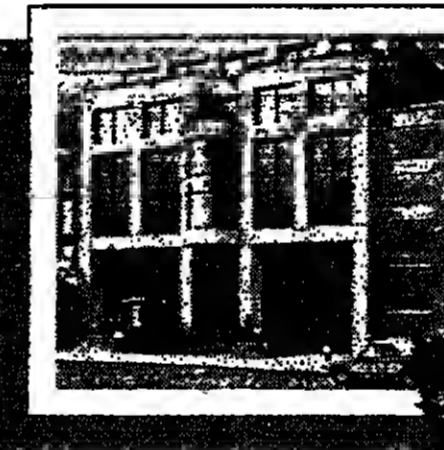


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CITY OF LONDON PROPERTY 3

Working out potential demand is like fishing for salmon, says David Lawson

Although the bait is tasty, some may wriggle free

CALCULATING the amount of new office space planned for the City of London over the next few years is relatively easy. Setting this against take-up rates to find a point when rent rises should fade away is a doddle. So why is there so much disagreement in the industry about when this threshold will be reached?

Some pundits believe the soaring rise in values will fade in the coming year, others look further into the early 1990s before the City loses its head of steam. And a hard core of optimists still refuses to believe that the days of milk and honey are numbered.

There are two main reasons for this diversity. Firstly, working out potential demand is like fishing for salmon. Every agent and developer has a mental list of prizes swimming deep in the rich waters of the expanding service economy. But no-one can be sure which will rise to the surface, or when.

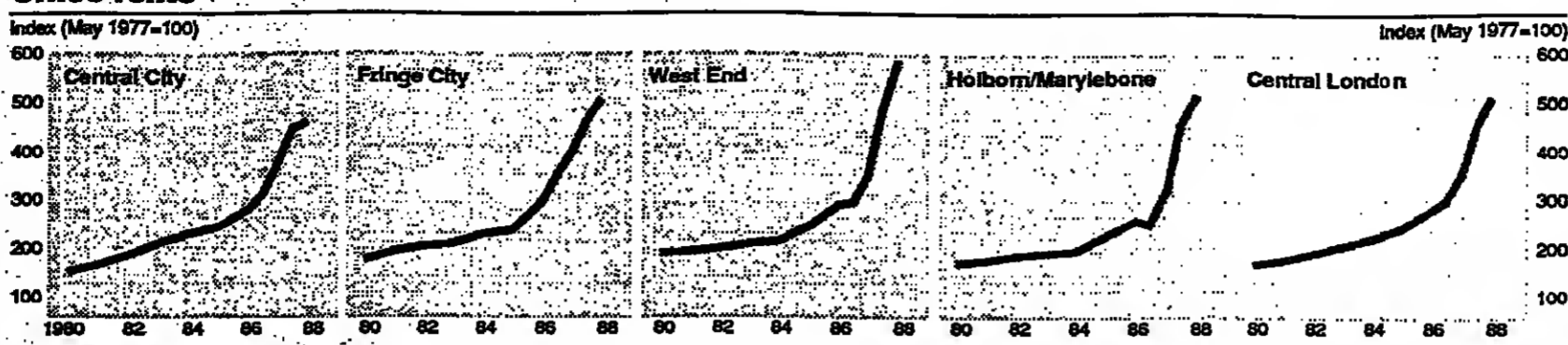
Businesses rarely plan more than two years ahead in a stable market. That horizon is even more limited in the shadow of post-crash uncertainty and nervousness about the world economy. Those which might want some space in the near future make tentative moves towards agents' hooks, and are totalled up as "future demand."

Secondly, hooking a big one is a rare skill, requiring the right bait. A thread of consensus about the post-crash market is that some potential tenants have refused to play as they do not like what is being dangled in front of them.

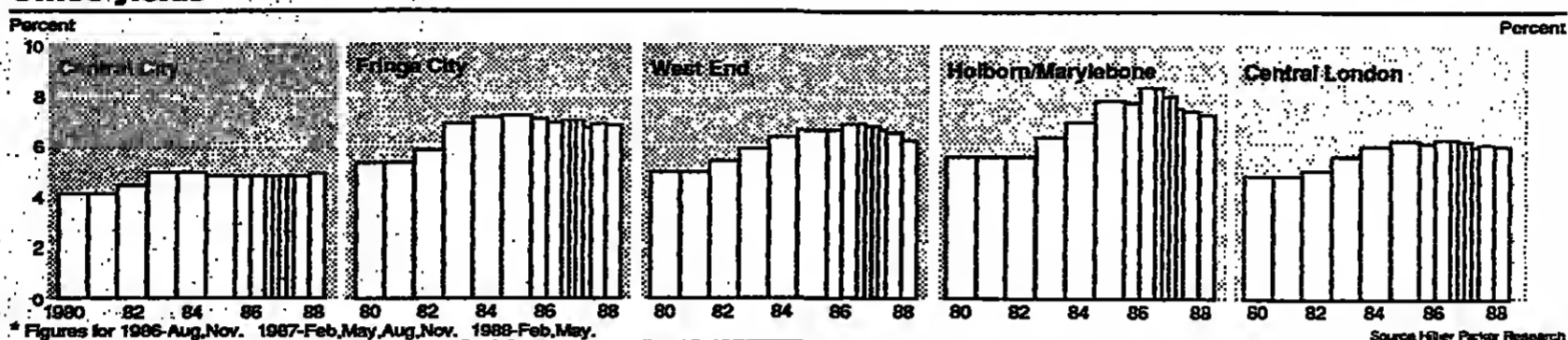
For instance, solicitor A and accountant B may both want a 350,000 sq ft modern building somewhere between Fleet Street and the Bank. But even in the latest flood of development, there is no such place available until 1991. They stay put until one comes on the market and then both make a strike for the same bait, bidding against each other and ramping up the rent level.

When the laws of economics fly out of the window and a rise in supply increases prices, it becomes almost impossible to state with confidence when

Office rents



Office yields



* Figures for 1986-Aug, Nov. 1987-Feb, May, Aug, Nov. 1988-Feb, May. Source: Heres Property Research

the two sides of the demand-supply equation will balance. Intuition and psychology become almost as important as computer projections. Developers who guess right can make a fortune; those who do not may face disaster, as the 1970s collapse proved.

For the moment, current demand is keeping agents reasonably happy. The crash trimmed some soils but take-up slipped only 5 per cent to around 2.6m sq ft in the first half of this year, according to Jones Lang Wootton. That leaves unsatisfied hard requirements for 3.6m sq ft and a potential soft need for a further 4.2m sq ft. Combining the 1.95m sq ft immediately available with speculative space under construction produces a vacancy level of between 5 and 6 per cent - much less than most other world financial centres, says J.L.W.

Demand from banks has fallen back but slower-moving financial institutions still have to make up their mind about the final cost of the collapse. Some may not be so keen on growth if trading volumes remain permanently low but the horrors widely predicted last October have not materialised. Predictions of up to 200,000 redundancies proved wildly wrong.

Only 5,000 jobs have disappeared out of a total of 90,000 in the financial sector, according to the property team at Morgan Grenfell Securities, which takes a bullish view of the short-term prospects for City property. Even if this figure is doubled to what some believe is a more accurate calculation of sackings, that pans out to around 1.8m sq ft of office space - not much more than 3 per cent of the total stock in the Square Mile.

Job losses will affect demand only if there is another market crash, according to Morgan Grenfell (although some might not rule that out either). Meanwhile, St. Quentin has done an old-fashioned totting-up job on demand for space ready in 1990, calculating that more than 6m sq ft is required in slugs of at least 25,000 sq ft, plus another 1m sq ft for smaller premises.

erty developer. "A lot of City tenants want to move to newer premises," he says. "But they can't get the right type of space in the right location."

Healey & Baker reinforced this view when its research showed that more than two-thirds of the 100 City occupiers it questioned intended finding a new home within five years.

Not everyone is convinced that professional groups are a universal answer to the threat of over-supply, however. Mr Michael Cassidy, the City planning chairman, who has been in a much more subdued mood since the crash, is reported as saying this is a short-term and fickle source of demand. As a property lawyer, perhaps he has an insider's knowledge to add to his planning judgement.

Mr Cassidy is keeping his eyes on more traditional financial groups, although he sees a question-mark about where they will come from in the 1990s.

For the moment the financial groups have not completely retired from the market, however. BHS says that half the current demand comes from this sector. But now that they have satisfied their appetite for giant financial factories, they tend to fill the middle section of the market in 25,000 to 100,000 sq ft blocks.

And they are also paying the highest rents. Arab Bank probably claims the latest record with around £68 a sq ft for 35,000 sq ft of 13 Moorgate, although this is unlikely to be the high-water mark for long.

Surprise market entrants helping to bid up values are the building societies, desperate for flagship premises in the City core to give them a suitable presence as neo-banks.

The Halifax, for instance, paid a then-record £57.50 a sq ft recently for the prime position of Greycoat's 62 Cornhill and promptly asked Healey & Baker to let off the top six floors. Bradford & Bingley took second-hand space on a short lease in Moorgate for £55, plus the prospect of a fitting-out bill.

Other sectors may be less buoyant in future. The insurance market, for instance, is looking rather sick, which may tell when rent reviews come around in the areas around the

east of the City where the brokers are concentrated.

Probably an area-by-area and sector-by-sector analysis is the best way of working out the impact of any drift in demand. As Mr Peter Hunt says, the buildings have to be in the right place. He believes people were too quick to dismiss location as the guiding force in property development when the core was burst at the seams by Big Bang and tenants flew far and wide to find space.

The core and western fringes of the City will remain high on the shopping lists of professional firms, says Mr Geoffrey Pentecost of Jones Lang Wootton. A lot of financial groups which ran off to the West End when space was scarce around the time of Big Bang would dearly like to get back into these areas, he asserts.

The testing time will come within the next year - or within three - depending on which opinion you take. Some, like Mr Pentecost, forecast a balance of supply and demand in 1989-90. A "spectre of uncertainty" still hangs over the market, says J.L.W. Against that, Morgan's experts believe that rents will push upwards until 1991, when the sheer weight of new space will tell. They see a two-tier market building up as poorer premises, both new and second-hand, stick to agents' hands while tenants grab tastier bait.

But maybe the biggest demands have yet to materialise. Land Securities is looking across the Channel for new customers after 1992 when unification with the rest of Europe will be complete.

"Before the Big Bang we were asked by one City councillor to prove that there would be an explosion in demand for space," says Mr John Moar, the deputy chairman. "We said we could not prove it. It was just a gut feeling."

"We were right in the end and we have the same gut feeling about the European connection. It is getting a bit like old times when a property developer talks about sniffing out future demand by instinct rather than relying on a computer print-out. Only time will tell whether guts are more accurate than arithmetic."

DIRECTION DOCKLANDS



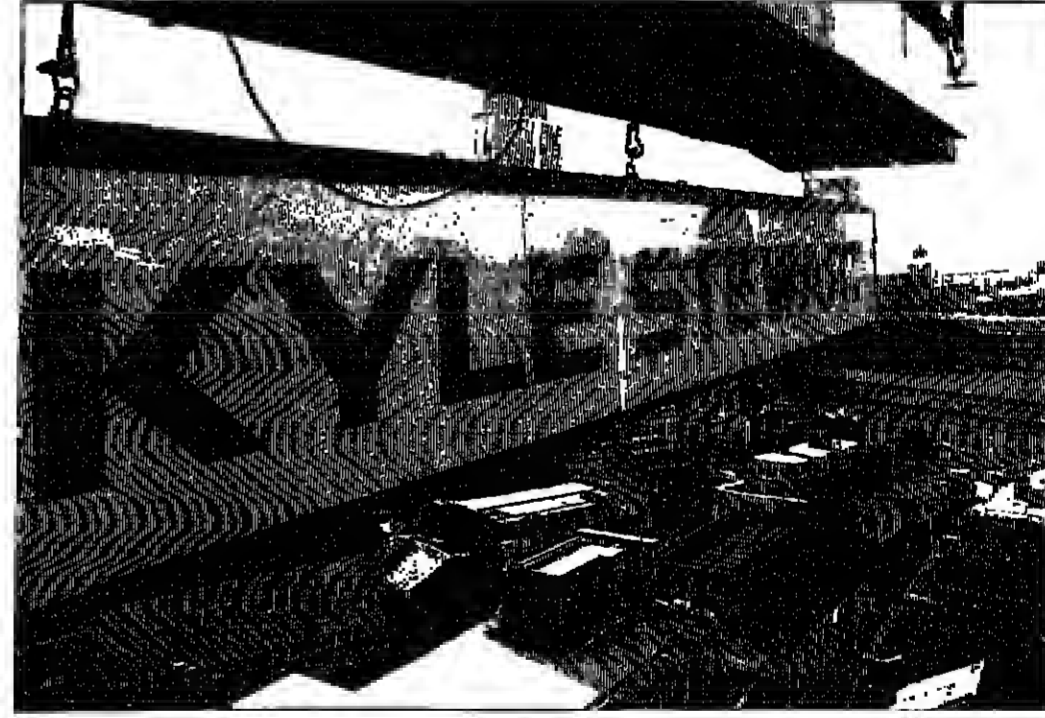
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CITY OF LONDON PROPERTY 4

Office development has mushroomed in peripheral zones -
Docklands, Paddington Basin, Victoria, Holborn Viaduct

Square Mile gets bigger

FIGURES OF speech seem to survive long after the world that spawned them. Cockneys are "Bow Bells born", privileged young ladies range through Sloane Square; their employers or daddies are inevitably "someone in the City".

Strictly speaking, the Cockney is a dying breed, as the Bow church referred to is in office-cloaked Chesham rather than the East End. Not a lot of babies are born within the sound of those bells nowadays.

Sloane Rangers are less likely to be up West than sipping champers with other "financial executive assistants" at a lunch box round behind an aimost derelict Stock Exchange. Meanwhile, many a daddy is looking wistfully from a brand new office block over the roofs of Sloane and East Ender territory.

Pinstripes have scattered far and wide over the last couple of years in wholesale moves to a new breed of financial factory. Someone in the City is almost as likely to be working as far from the Square Mile as today's Cockneys are from Bow.

But the label will probably stick. "Someone in Docklands" does not have quite the same dignified nonchalance. And consider the distress that could arise over other development areas set to attract expanding financial businesses: King's Cross, Paddington, Victoria, London Bridge, Charing Cross, Liverpool Street, Euston, Cannon Street and Holborn Viaduct. Poor little rich child will have a terrible time convincing chums that daddy is not "Someone in British Rail".

Office development has mushroomed around these peripheral zones since the run-up to the Big Bang, when occupiers realised there would be no space within the traditional Square Mile for the big new buildings they would need.

More than 1m sq ft of new space will be created in 120 buildings around the City fringes between 1988 and 1991 according to an analysis by Savills produced this month.

The tide shows no sign of diminishing. Applied Property Research says that planners in Islington, Hackney, Tower Hamlets, Camden and Southwark gave the go-ahead for more than 6m sq ft in just over 100 blocks between July 1987 and August this year. Seven of those permissions

account for around 3m sq ft of the total, including 885,000 sq ft in Spitalfields and a 1.2m sq ft mixed-use redevelopment of County Hall.

On top of this, Savills points out that the Isle of Dogs will have another 8m sq ft up and running in three years. Meanwhile, Rosehaugh Stanhope is set to repeat its Broadgate development on an even grander scale with a projected 6m sq ft of offices at King's Cross by the mid-1990s. At one time the City might have ignored these upstarts. Prime tenants would never be expected to move to such outlandish places. Now, however, central London is evolving into a single market, with the West End merging into the Square Mile, and satellite areas starting to compete for occupiers.

Distinctions between what is and is not City are increasingly blurred. Much of Broadgate, for instance, now accepted as part of the financial homeland, is outside the City Corporation boundaries. So is the 1m sq ft of London Bridge City, an outpost of the docklands strung along the south bank of the Thames.

It is pointless to consider these as separate and in competition with the traditional City area. They are merely a different tier of the same market, offering the giant spaces almost impossible to find in the core and at rents perhaps 30 to 50 per cent less than the top central rates.

Some are more fringe than

others, in both quality and location. It is these that seem likely to suffer from the new wave of development in even more distant areas.

Rents have generally boomed upwards, with 250 sq ft the norm around Fleet Street and Broadgate, 250 creeping along the south bank and 210 plus in the Isle of Dogs. But some rent levels are already falling in the less prime fringes, says Mr Peter Spooner of Edward Erdman.

Each satellite fringe is being forced to compete with the core rather than complementing the City core, and will have to find its own niche.

Docklands is still the great uncertainty. It is generally accepted that things will happen as Olympia & York ploughs ahead to produce some 2.5m sq ft by next year which has more to come. The disagreement hinges on who will go there.

One camp believes the Reichmann brothers will use their undoubted influence to pull in a couple of blue-chip businesses, create a "critical mass" around Canary Wharf and watch the area merge into the City proper. Savills says acceptance will come as occupiers are convinced that the transport and services are adequate.

Others tend to believe it will not poach from the City but act as a relief valve. "Docklands has a clear advantage in low rents plus tax concessions but is unlikely to attract main-

stream businesses," says Mr Spooner.

"More likely, it will be used for support space which might previously have decentralised from London altogether."

Either way, the proposed King's Cross development seems a more likely rival for big tenants than the City. Both satellites will be looking to an influx of international companies as 1992 and European unification loom.

Docklands may get in first with available space, but King's Cross could boast a Channel Tunnel terminal to supplement its better access to the rest of London.

In fact, King's Cross could be a vital factor in finally knitting together the West End and City into a single market. This is already happening as redevelopment spreads through Holborn and Fleet Street into the Strand.

"When I first came to the City from the West End the people all seemed very different and strange," says Mr Peter Hunt, chairman of Land Securities, who has substantial holdings right across the central area. "There was your basic West End type and your City type. Now we are seeing a fusion in which people cross boundaries, and a greater synergy."

Different types of business will gravitate to different parts of this single market rather than leeching the old City.

The score will remain the main financial quarter, so the chairman of one merchant bank can nip along the road to chat up his colleagues at another, accompanied and solicitors less willing to pay high rents will make for Holborn, or King's Cross, or the Euston Centre, or Paddington Basin.

The West End will no longer provide an alternative for large space users after the present generation of developments such as Charing Cross are finished.

Planning restrictions that are already tough may become even tougher as Westminster clamps down on further office building, so King's Cross and Paddington will take over from both West End and City.

Docklands seems likely to be perhaps slightly ahead of other London suburbs in competition for the large-scale operations which make no economic sense in higher rent areas.

But don't take any bets against the Reichmanns suddenly producing one or two big names out of the hat.

David Lawson

MAJOR PERIPHERAL DEVELOPMENTS

Docklands: 2.5m sq ft completed next year in schemes such as Harbour Exchange, Canary Wharf's first 3.5m sq ft due on stream in 1991.

King's Cross: 6m sq ft of offices planned as part of mixed development. Due for mid-1990s.

Paddington Basin: planning permission for 230,000 sq ft of offices to be ready in mid-1990s but the amount of business space might double if Trafalgar House decides to push for it.

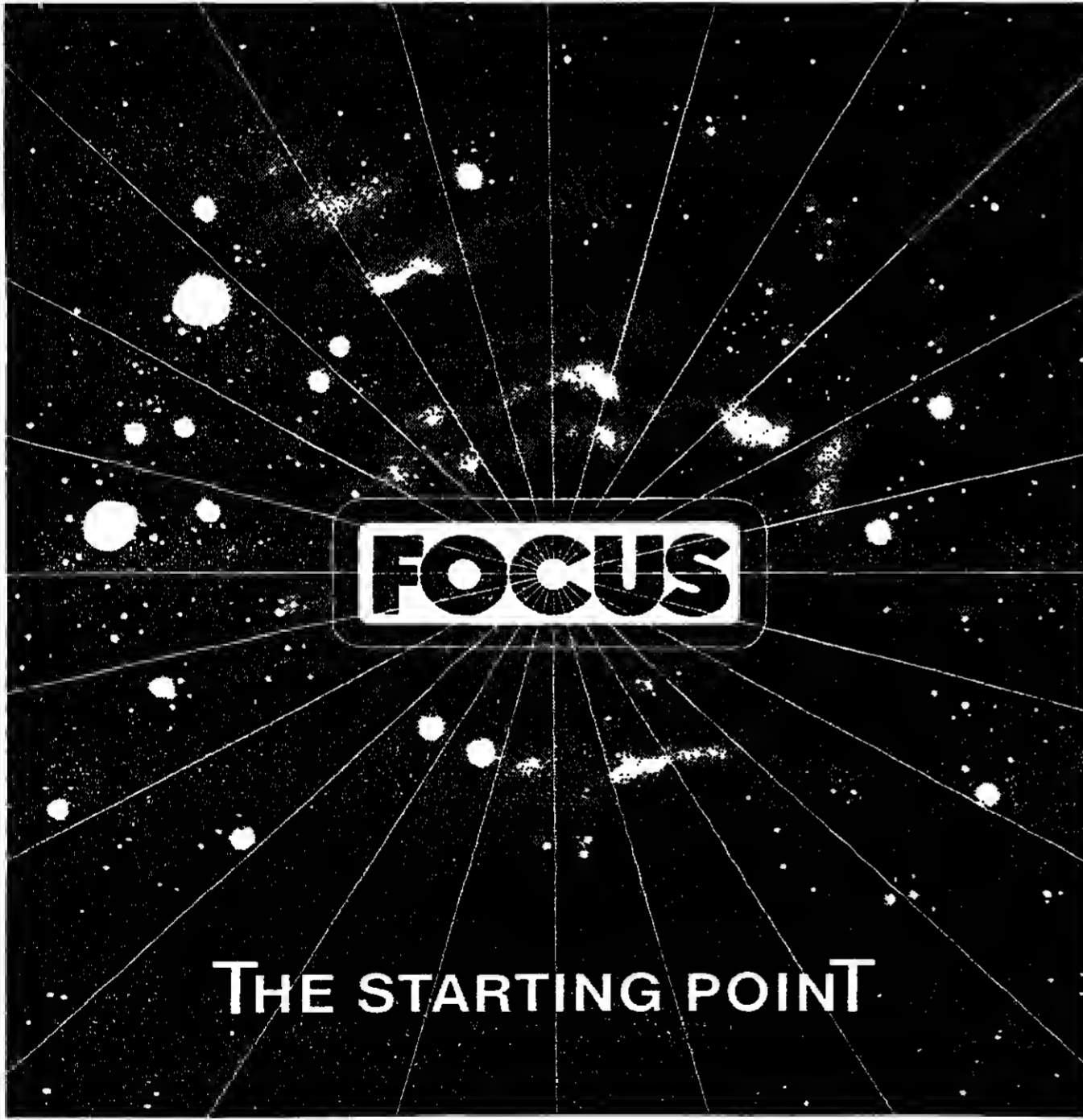
MAJOR FRINGE DEVELOPMENTS

London Bridge City: St Martins Property is still waiting for a public inquiry on the 1m sq ft second phase of the South Bank development, which resembles a pastiche of the House of Parliament. The developer has outline planning permission and Mr Brian Cann, the managing director, said the decision to call in the scheme on aesthetic grounds was "perverse". He blamed "time-served bureaucrats, opportunistic parliamentarians and left-wing pressure groups" for the adverse reactions.

Thomas More Street: Swedish developer Skanska has started work on 700,000 sq ft in the fringe between City and Docklands. Ludgate Circus/Holborn Viaduct/Old Bailey: Rosehaugh Stanhope has permission for more than 2m sq ft to be ready by 1991 and Town & City has started work on close to 300,000 sq ft next door.

Broadgate: hardly fringe any more but still outside the City proper. More than 1m sq ft is still being built and another 500,000 sq ft is still to come.

Spitalfields: The consortium led by London & Metropolitan has permission for more than 800,000 sq ft but this must await a parliamentary bill to move the market and build a new one at Temple Mills. Space could be available by 1992.



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CITY OF LONDON PROPERTY 5

Decline in spending by property development companies

The banks turn cautious

MORE AND more funds have poured into the City property market as the construction boom has gathered pace to meet a sustained demand for office space. The funds have moved in from a wide range of sources - owner occupiers, institutions buying for investment, banks lending to development companies.

The equity market crash last October sent a shiver through the market and activity slowed markedly in the last quarter of 1987 before picking up again in the first quarter of this year. The aftermath of the crash has been reflected in a more cautious attitude to bank lending and probably, although this is difficult to measure, in an increase of institutional trading of City office property.

It is there is any certainty, it is that there is a more cautious attitude to and a more stringent appraisal of the lending and investment opportunities now than there was a year ago. In a market where there is uncertainty, you have investors around with different views," notes Mr John Coventry of Hillier Parker, chartered surveyors. "Some are worried. Some think there is a short-term problem. So there are both buyers and sellers."

This is especially the case with the British institutions whose role in City investment expenditure has been less than that of foreign interests, according to the Hillier Parker figures. Foreign capital expenditure has been around 40 per cent of the total in recent years, reflecting purchases by, for example, US banks.

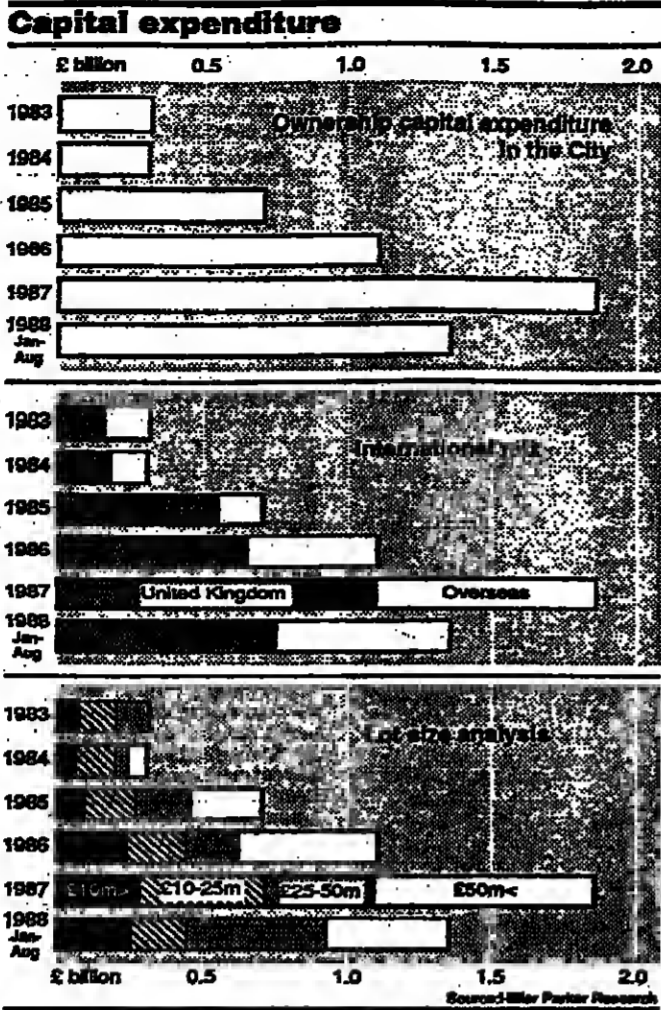
Between 1985 and the end of the first half of 1988, capital expenditure came to over £4.7bn, a heavy investment by any standards and one of the reasons behind the national property boom, which started in the City and then began to spread outwards as economic recovery gathered pace.

But there is a difference between investment expenditure and spending for the purpose of development or redevelopment, which is where the property companies come into their own. Jones Lang Wootton, chartered surveyors, has calculated that last year property development companies spent £3.6bn on the acquisition of land and buildings, but that in the first half of this year, spending dropped to £300m.

Such a decline reflects not only the uncertainties set off by the equity market crash, but also the perception that the market may be due for a pause. To put that another way, the supply and demand balance may gradually, in the light of the brisk construction programme which has been undertaken, be tilting in favour of tenants.

Just as such perceptions affect the way that the property development companies have been managing their City programmes, so it also affects the way in which the banks have been adapting their lending.

The City property boom has been marked by the development of bank lending techniques and the fact that the



banks for short and medium-term finance in the hope that later they will be able to re-finance their projects, either through long-term commercial mortgages or through direct sales of the completed property.

The Bank of England figures are sketchy, however, because they cover the whole nation rather than the City. Jones Lang Wootton, chartered surveyors, estimates that of the total of £16.6bn outstanding lending to property companies, probably 65 per cent relates to central London and of that perhaps up to 40 per cent relates to the City proper. It guesses that there is probably between £4bn and £5bn of short-term finance active in the City.

As early as last summer, the Bank of England was expressing concern about the build-up of bank lending and making it clear that the banks should ensure it was soundly based. Underlying this warning was the fear that some foreign banks might be dabbling in areas which they did not properly understand.

It is certainly true that the amount of foreign bank lending either on an individual basis to particular projects or through syndicates has risen sharply. The Japanese and European banks have taken a larger role in major City projects. There has also been the fear that there might be a shortage of ultimate buyers for some of the City projects which have been coming out of the ground. This fear may have been misplaced. Research by County NatWest and Baker Harris Sammers, chartered surveyors, and published last year showed that of the proposed new supply in the City, only 13.5 per cent was coming from property companies which might be expected to trade on the finished product.

The greater part of British-sponsored development has been in the hands of property investment companies, which would intend to retain the completed property and which generally have been busy shifting their variable rate finance to fixed rate finance, and of the major property investing institutions.

At the same time there has been a growth of foreign interest in the sector, beyond that manifested by owner-occupiers. The Scandinavian presence has become marked and although Japanese money has come in largely through construction and development companies and through bank lending, the hope persists in the City that Japanese institutional funds will follow. A portent here perhaps is the establishment of a London office by Sumitomo Life Realty.

Further, there is the expectation that a unified property market will offer, through the issue of property income certificates or securities in single asset property companies, a further outlet for the sale of completed properties.

Paul Cheswright

STRENGTH IN THE CITY

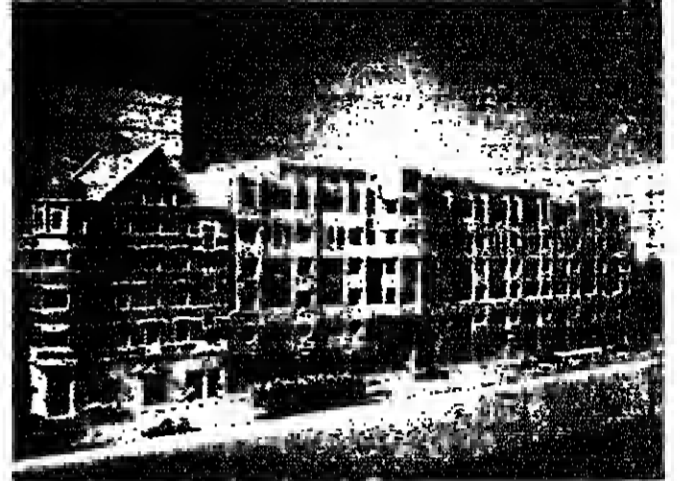
Over 650,000 sq ft of prime space coming on stream by mid 1990
Over 300,000 sq ft let or under offer



Milton Court, EC2

Size: 160,000 sq ft offices
Completion: March 1990

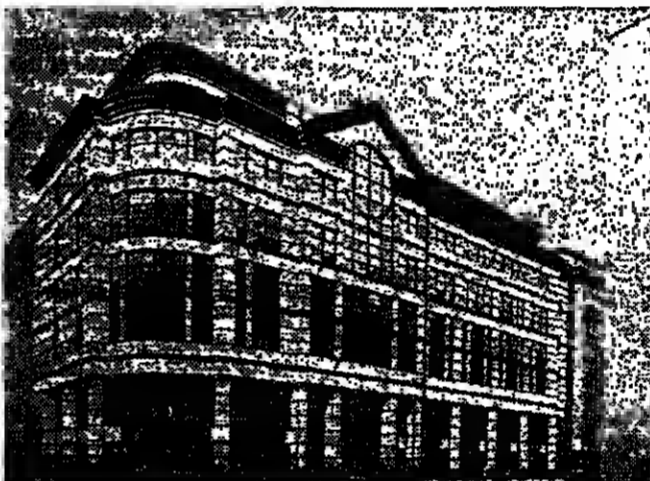
Architect: Denys Lasdun Peter Soffley & Associates
Contractor: Costain Construction Ltd
Letting Agents: Richard Ellis



Moorgate Hall, 143-163 Moorgate, EC2

Size: 68,000 sq ft offices, 18,000 sq ft retail
Completion: March 1990

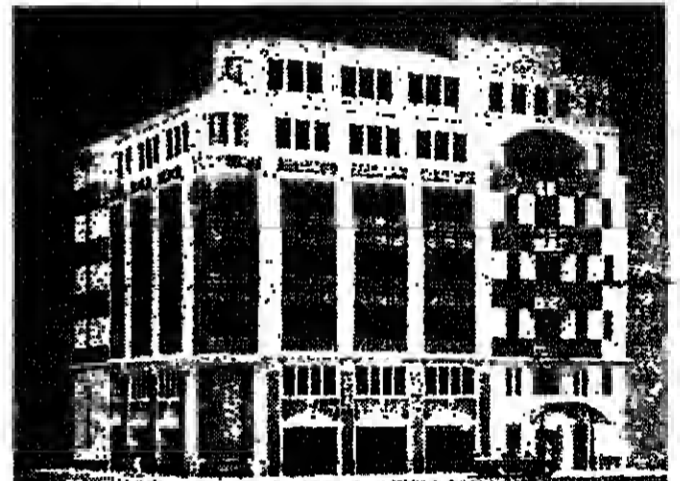
Architect: Chapman Taylor & Partners
Contractor: John Mowlem & Co PLC
Letting Agents: Jones Lang Wootton



Leith House, 47-57 Gresham Street, EC2

Size: 77,000 sq ft offices and a restaurant
Completion: May 1990

Architect: GMW Partnership
Contractor: To be appointed
Letting Agents: Jones Lang Wootton



Ling House, 10-13 Dominion Street, EC2

Size: 30,000 sq ft offices
Completion: September 1989

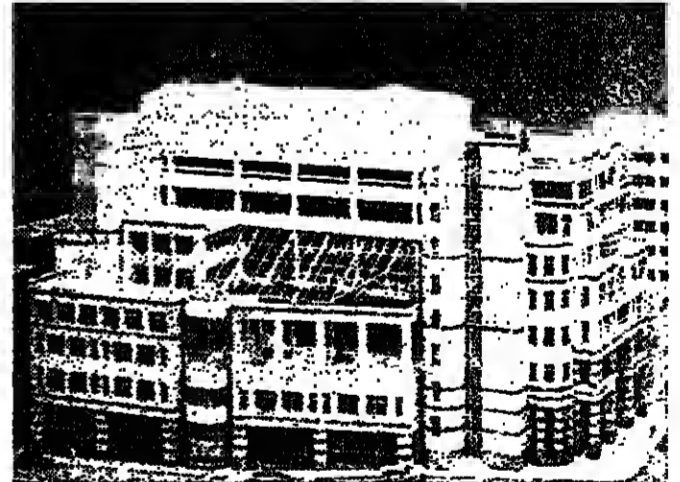
Architect: Kenzie Lovell
Contractor: John Mowlem & Co PLC
Letting Agents: Weatherall Green & Smith



158-170 Aldersgate Street, EC1

Size: 190,000 sq ft offices
Completion: November 1989
Architect: Siefert Ltd

Contractor: Costain Construction Ltd
Letting Agents: Wright Oliphant
UNDER OFFER



8 Salisbury Square, EC4

Size: 115,000 sq ft offices
Completion: September 1989
Architect: EPR Partnership

Contractor: Taylor Woodrow Construction Ltd
Joint Letting Agents: Knight Frank & Rutley and Peter Wright & Co
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Notes: All offices have air-conditioning. All areas are approximate and net

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CITY OF LONDON PROPERTY 6

The change in sentiment towards investment companies

Assets count as interest rates rise

Property stock prices have outperformed the rest of the market. But this return to optimism has been to the benefit of the market prices of the investment companies.

The single most important movement in the stock market's property sector this year, regardless of short-term price movements, has been the drive into stocks with a strong asset backing. By comparison, there has been a lower level of interest in companies developing to sell on.

In other words, the financial institutions whose investments are the dominant influence on the market have adopted a safety-first policy. In this particular context they have chosen the established property owners in the City - Land Securities, MEPC, British Land and so on. These companies, of course, have extensive development programmes in the City but they are less exposed to changes in the rental market than companies with a smaller asset base and buildings coming out of the ground.

An additional factor moving market sentiment towards the investment companies has been the manner in which they undertake their financing. They have been able to use the equity market for debenture issues and they tend to have much of their City development backed by fixed rate finance. To the extent that this finance was raised before interest rates started to rise in June, their projects are likely to prove less immediately costly than those of development companies with a tendency towards shorter-term financing at variable rates.

There was little doubt, as interest rates moved progressively higher through the summer, that the market was taking a very cautious view of the development companies and some had prices that were moving down towards their lowest levels of the year.

High interest rates have never been good for the property sector and much of the money which has been attracting these rates is being deployed in the City. But while the development companies

look the most vulnerable financially, their level of gearing is generally not as high as it was just before the 1978-79 property crash.

In the early stages of the interest rate rises then, some analysts argued that the caution was overdue. Not only could the development companies absorb a rise of couple of points without too much discomfort, but demand for space was such that accommodation costs were not a factor in determining growth.

There may be more justification for the caution following the August rises because the heavier weight of the financial charges assumes more importance when related to the growth in construction costs leading to a tightening of developers' margins.

This makes the task of predicting which way the stock market will move in further assessments of the development companies all the more hazardous. And the position, as the summer wore on, became trickier still because of the low level of trading. With investment interest at a low ebb, much of the price movement appeared to be coming from the market makers themselves. In the future, however, additional investment opportunities in City of London property are likely to open up through the start of a unitised property market. There have been false dawns for this market, but it is now a fair bet that sometime in the autumn there will be issues of property income certificates and there is always the possibility of a single asset property company issue.

City buildings, especially where they are multi-tenanted, are likely to play a part in this market, especially if institutional interest in the direct investment market slackens. But it is worth recalling that the only single asset property company security which has been traded - Billingsgate City Securities preference shares - attracted scant interest and that S & W Berisford, which launched it in the first place, has been bidding to buy the whole issue back.



Sculptor Rudy Weller at the entrance hall of the E11.7m Crusader House built for Wimpey Property/Rosehaugh

THAT OLD maxim "Sell in May and go away" has looked even more appropriate this year. Property stocks generally have remained more expensive to buy than those in other market sectors. But they have, more the less, been caught up in trading patterns established by low turnover, higher interest rates and, more specifically, concern that the best days of the City of London commercial property boom are over.

Most of the favoured property investment and development stocks have a City flavour about them. Land Securities, MEPC, Hammerson, British Land, Brixton Estate, Capital and Counties, and Great Portland Estates are among investment companies which have exposure to the City. So do Greycoat, Rosehaugh, Stanhope Properties and Wates City of London Property among the developers keen on the accumulation of assets and Helical Bar, London and Edinburgh Trust, London and Metropolitan and Speyhawk among the so-called merchant developers. The City in short attracts a good cross-section of the property world.

Stock market perceptions of this world have been changing radically. Until the market crash of last October, the investment companies had tended to play second fiddle to the development companies even in spite of the fact that the biggest of them had substantially greater City interests.

The market had been on a high tide of excitement, pleased with every new development prospect, delighted by every new financial agreement that provided the underpinning for yet another City office building. Demand had seemed unrelenting. Expansion had seemed for ever. The development companies traded on extremely high multiples.

To be sure, the investment companies were not wholly left out. In the summer of 1987 they traded at a premium to their net asset value as their market prices broke out of their traditional discount.

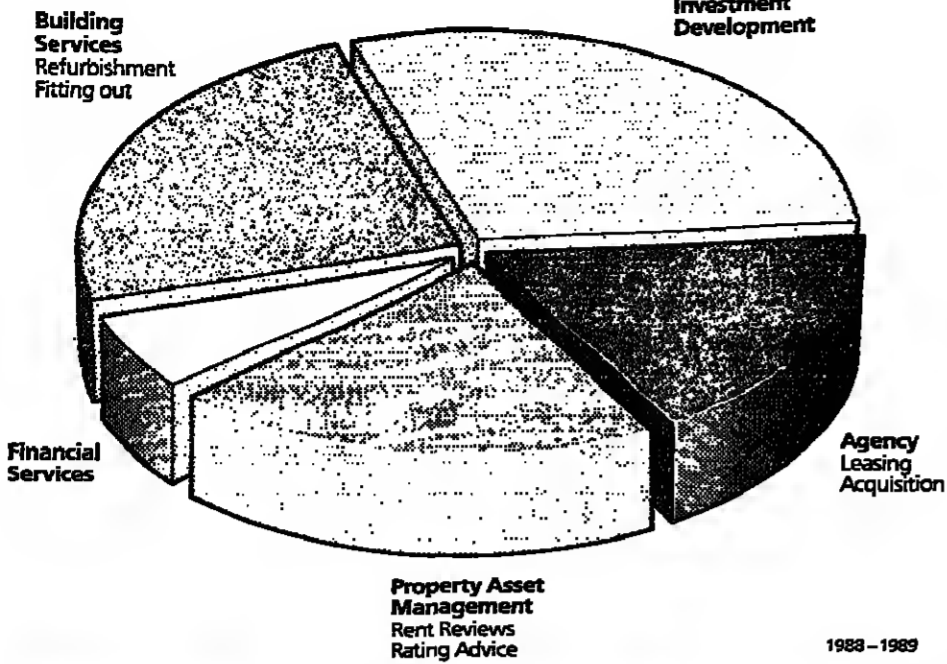
October changed everything. Not only did the collapse of the

equity market act as a sobering influence but it also jolted back into the memory predictions that the City office market, given the building boom could be in rough supply and demand balance by 1990. Suddenly the rose-tinted view looked a little muddy.

One example of the change of mood. When, in the weeks following the crash, the City of London planners suggested that the City boom was coming to an end and that in future all planning applications would be looked at more stringently, all

stocks with a City interest moved lower. Yet this was a contradictory move. The market grasped the end-of-the-boom thought but did not stop to consider that a more stringent planning regime would protect those already in the City and would, in fact, be bullish for them.

This year the market has settled and a good deal of the optimism has returned, fuelled by a string of rising net asset value figures which reflected the increase in rents that had been taking place in the City.



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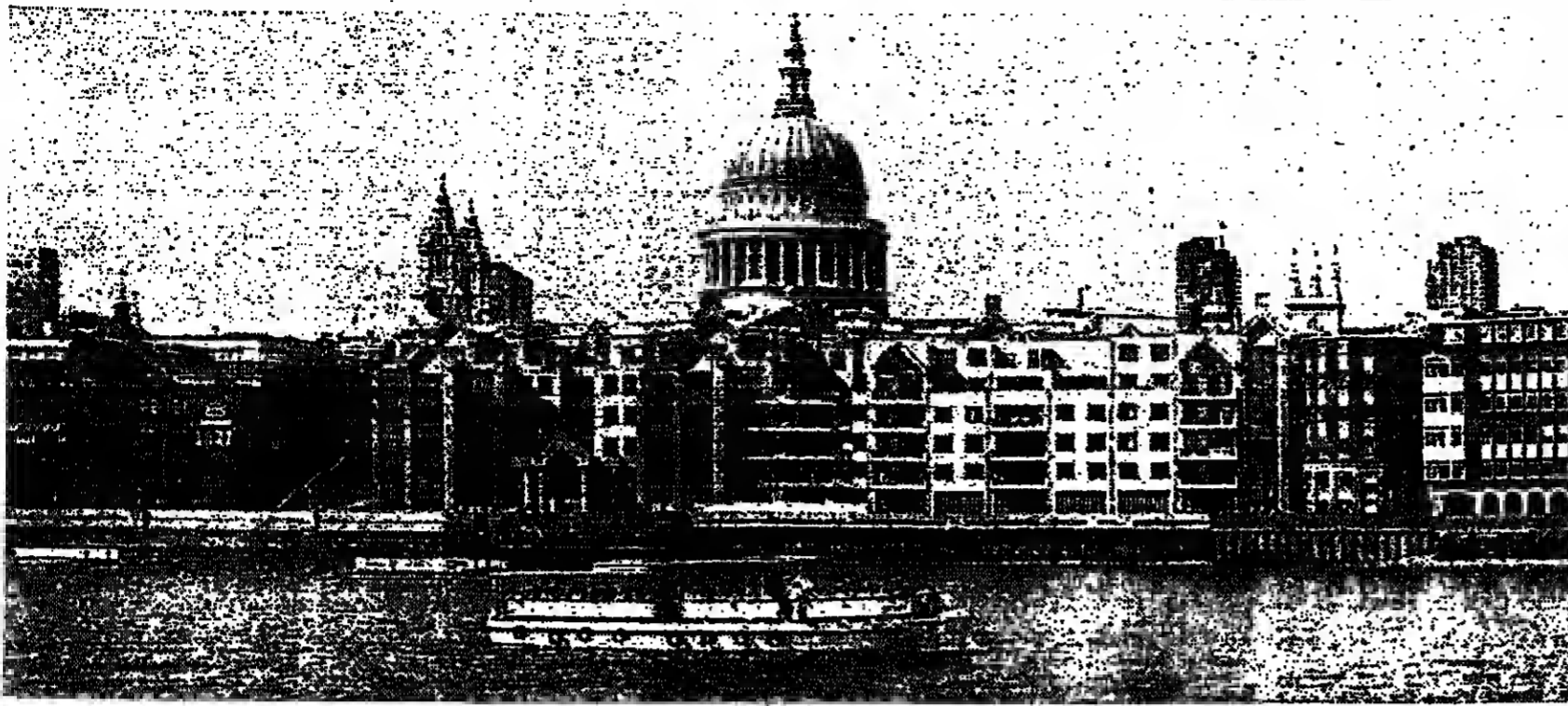
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CITY OF LONDON PROPERTY 7

Long-term skills weakness could hit London's competitive edge as a financial centre



LEP House, the 200,000 sq ft complex at Sunlight Wharf, Upper Thames Street: fitting-out started early

The gold dust on Concorde

GOOD TIMING is crucial for survival in the rough waters of property development. Costs and returns move in a complex rhythm of independent currents, and anticipating how these will move can be like edging a heaving boat ashore after planning years ahead that everything would come together at the right moment. To get it wrong can result in anything from a mild wetting to a capsize. City office developers are watching nervously as they feel the tide of rent increases which floated many vessels begin to slow just as counter-currents of interest rates and building costs strengthen. Construction costs are rising at their fastest rate since the early 1970s as development hoons and builders boost tender prices to make up for the barren years. A national forecast by R. C. Harris, quantity surveyors, predicts a 13 per cent increase in tender prices this year - twice the predicted rise in construction costs. This is led from the South East, where giant projects such as the

Chunnel Tunnel, London Docklands and Broadgate are soaking up materials and labour. The City has become the victim of its own success, with so much building going on that employers have to go to ridiculous lengths to find skilled workers, let alone the extra money to pay them. At one time national wage agreements enabled labour costs to be planned reasonably accurately, but E. C. Harris says the self-employed now make up more than half the industry, and they can raise their prices to suit the market. Skilled workers, ranging from bricklayers to electricians and lift engineers are becoming as rare as gold dust. Johnson Jackson Jeff, project planning consultants in charge of such schemes as the 600,000 sq ft Royal Mint Court, has just spent more than £30,000 to hire Concorde for a day as a gimmick to attract surveyors and engineers for interviews. However, delivery delays on building materials, such as concrete and curtain walling, are posing as big a problem. Mr Bob Field of JJP points out

that delivery periods are stretching out as supplies dry up. For instance, lead times on cladding panels rose by 30 per cent to more than seven months in the early part of this year. E. C. Harris blames the impact of "super sites" such as Broadgate, which it says have cornered the market for steelwork and forced up prices. Now the Canary Wharf machine is taking over. Mr Derek Hammond, chairman of Project Management International, says the whole of Redpath Dorman Long's output of structural steel has been taken by the docklands complex for the next two years, which means other builders having to search abroad for their supplies. Developers protest that they are seeing few problems on the ground at the moment, but this could be because most will have secured their supplies long ago. The worst effects are still to come. On their own these extra costs might have a marginal effect on profit margins and add only a few pence per

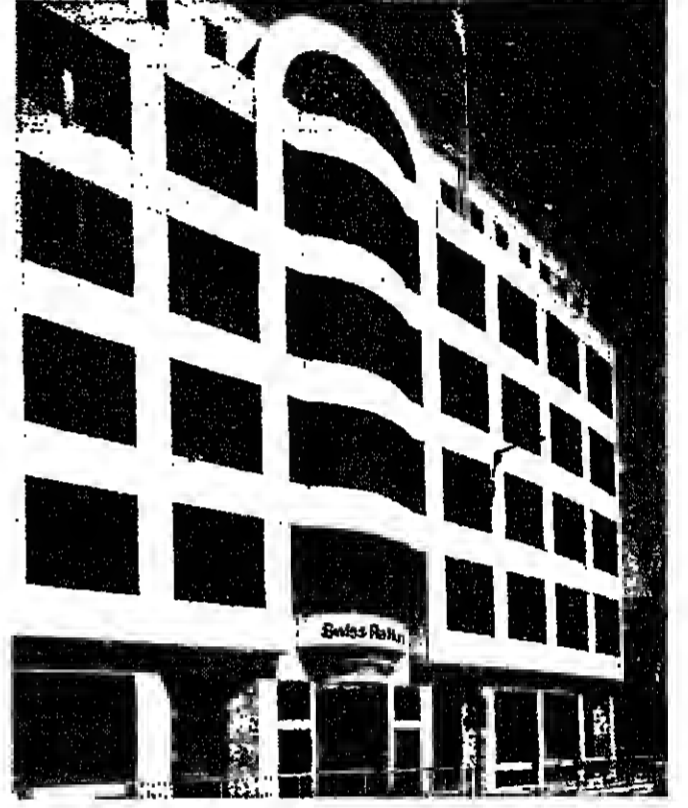
square foot to rents. But this must be placed in the context of weakening rent increases and the threat of other rising expenses such as the new VAT charge and a much higher uniform business rates. Pressure to improve building efficiency and control costs will become even more important as these influence customers in the early 1990s. "Design will have to meet cost levels rather than costs following designs," Mr Hammond says. But developers cannot afford to cut corners when tenants are demanding more for their money in a buyers' market. Selection of sub-contractors in future could hinge less on cost than on those which have the labour and materials to carry out their work. Fast-track building is already widely used to minimise construction times and start rents flowing earlier. Prefabrication is also becoming standard practice, particularly in the services that go into buildings. Electrical, air-conditioning and other services in some city developments now make up 40

per cent of the overall costs of some city projects, so any savings here can be crucial. "To win work, management and main contractors are committing themselves to shorter construction periods," says Mr Ken Escott of Crown House Engineering, now one of the country's top five contractors after being bought out by the management from Colroll a year ago. The burden then falls on services contractors to squeeze installation into this compressed schedule. Crown has developed off-site prefabrication packages which will be installed into the 825ft Canary Wharf block in a joint venture with Niagara Mechanical Services of Toronto. The problem with time-saving fast-tracking is that it puts even more pressure on the labour market, as the techniques require greater numbers of skilled workers and supervisors on site. Mr Escott says Crown has had fewer problems than others, however, because it continued recruiting and training engineers and tradesmen through the lean years. Another 150

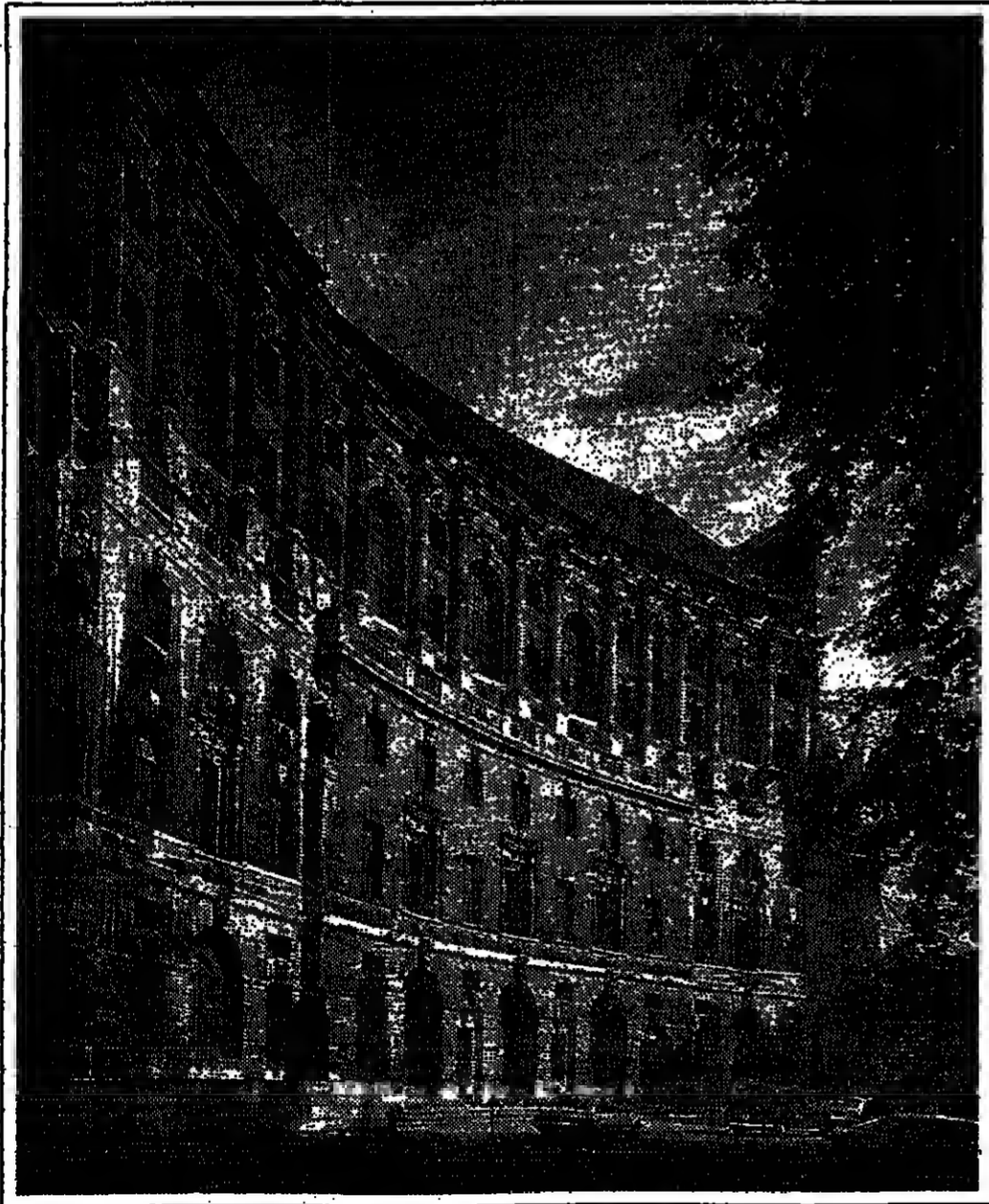
apprentices are being employed this year. Developers have opted for shell-and-core schemes partly to offer the maximum choice for the way occupiers use a building but also because it shortens the contract programme. This leaves tenants with the burden of keeping down costs since fitting out can now take up as much as half the overall outgoings. Pre-lets make up the bulk of the City market but tenants' contractors often have to wait around until the construction team is out of the way. So project managers are pushing to get on site earlier. PMI worked out an agreement with LEP for the partial release of space on the 200,000 sq ft complex it has pre-let to Swiss Bank Corporation at Sunlight Wharf on the banks of the Thames. The 54-week process of installing services started five months earlier than it normally would, as fitting-out contractors moved in behind the builders as they released sections of floors. The City is racing to catch up with its New York rival in making greater use of such faster and more flexible building methods, but there is still an obvious gulf in many cases. Mr Julian Ryder Richardson is involved in one of the City's biggest schemes as a senior partner of architects GJM. He points out that shell-and-core building requires a sophisticated level of building management by the owner and a well-organised flow of information about the technicalities of a building from the developer's consultants to the tenant's. Many have not yet reached this level of sophistication. Skilled labour also raises its head again as an important factor. US tenants do not have to rely as much on built-in flexibility, such as providing raised floors, since they can pick up a phone and have an electrical contractor move outlets within the hour. The UK lacks this building maintenance industry, Mr Richardson says. This shows that the lack of depth in building and maintenance skills is not just a cyclical problem which will go away when the storm of City construction subsides. It is a long-term weakness that will have to be tackled if London is to maintain its competitive edge with other world financial centres.



Prudential Assurance's office development in Camomile St end (below) Speyhawk's Leadenhall-Mitro St building for Swiss Re



David Lawson



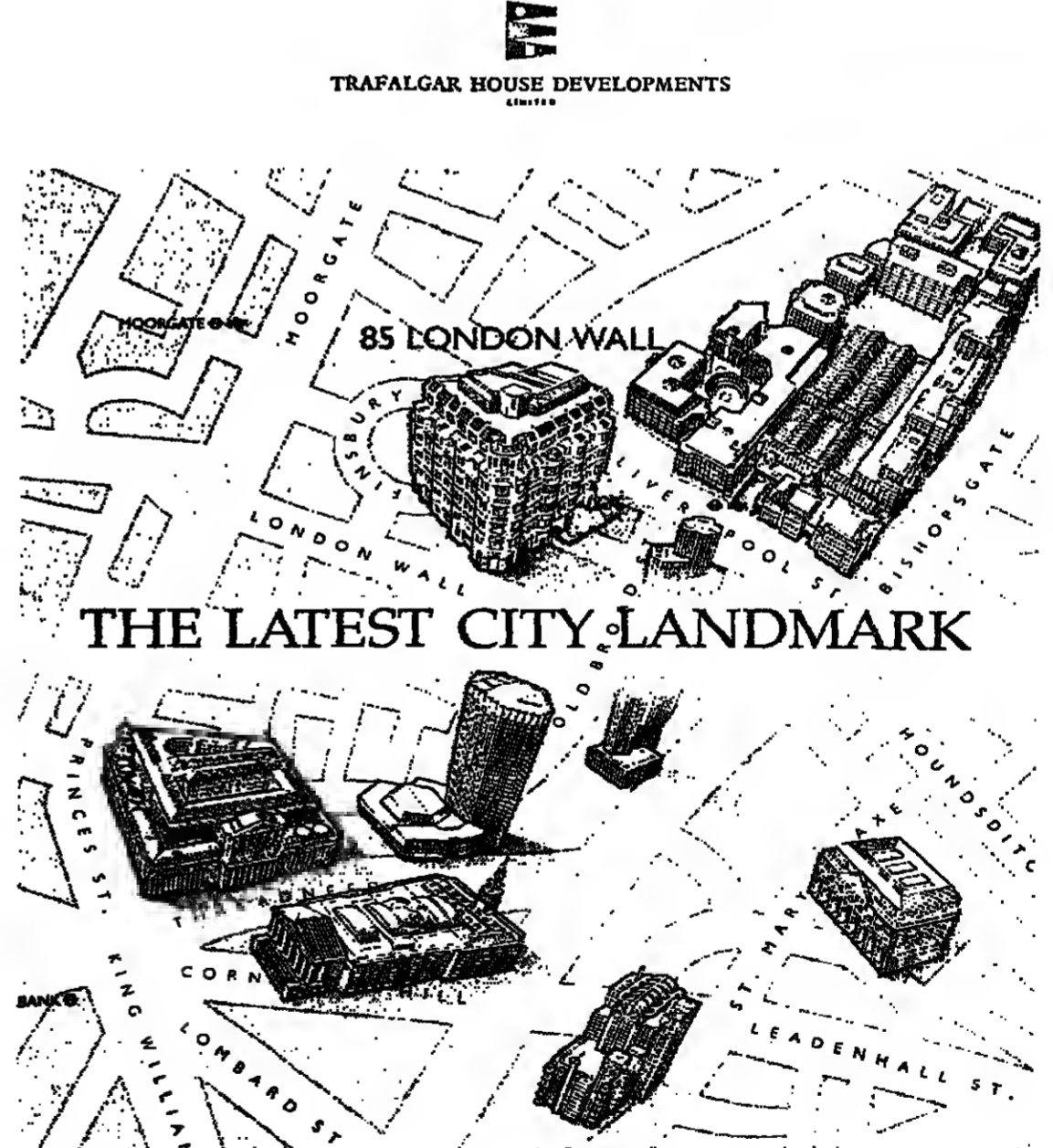
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